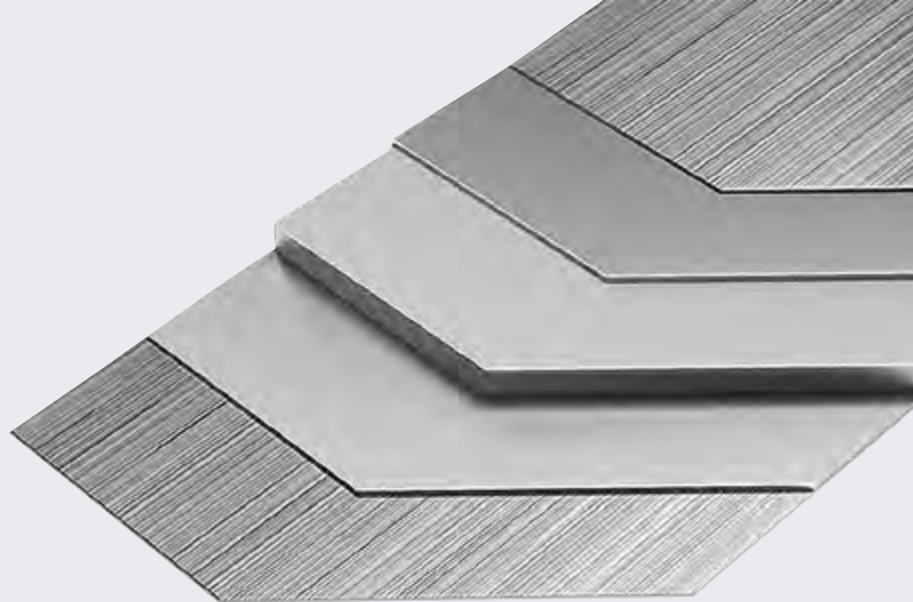


ANNUAL
REPORT | 2019

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Gränges' formal annual report according to the Swedish Annual Accounts Act comprises pages 38–93. The statutory sustainability report according to the Swedish Annual Accounts Act is found on pages 19–31, 39 and 97–111.



THIS IS GRÄNGES

Gränges is a leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. The company develops and produces advanced aluminium materials that enhance the efficiency in the customer manufacturing process, as well as the performance of the end-customers' products.

Gränges' geographical markets are Europe, Asia and the Americas and the customers are primarily in the automotive industry, the HVAC¹⁾ industry, and industries such as transformers and food packaging.

Gränges has 1,800 employees and the share is listed on Nasdaq Stockholm.

VISION

To transform the world through innovative aluminium engineering.

CORE VALUES

Gränges' corporate culture and values are important in attracting and retaining employees. The core values guide employees in their daily actions and lay the foundation for conducting business responsibly and ethically.



Committed



Action oriented



Innovative



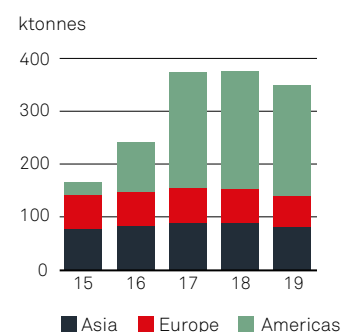
Accessible

¹⁾ HVAC = Abbreviation for Heating, Ventilation and Air Conditioning systems.

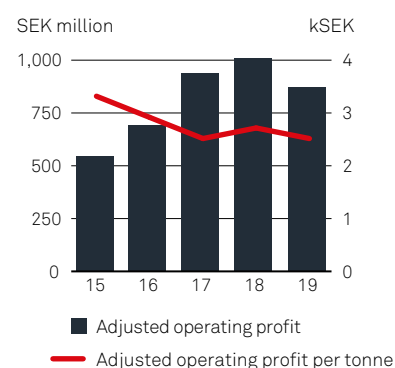
2019 IN BRIEF

- In November, the agreement to acquire the Polish flat rolled aluminium producer Aluminium Konin was announced as well as the intention to undertake a rights issue, with preferential rights for existing shareholders, to finance the acquisition and future growth investments in line with the strategy.¹⁾
- In the US, the expansion of the Huntingdon facility was completed and the facility in Newport was re-opened. In Sweden the investment programme to increase efficiency and capacity in the facility in Finspång proceeded.
- The acquisition of Aluminium Konin and the expansion projects in the US and Sweden will, when finalized, add new capabilities and a total annual production capacity of 220 ktonnes.
- Efficiency measures, including a general savings programme, capacity adjustments and organizational changes, were implemented to adjust the cost base and improve efficiency.
- The ambition for sustainability was raised with continued implementation of the group-wide sustainability framework and global long-term sustainability targets. Gränges became a member of Aluminium Stewardship Initiative (ASI) and the production facility in Shanghai, China, was certified against ASI's Performance Standard.
- Sales volume decreased by 7.4 per cent to 347.3 ktonnes (375.0). Net sales decreased to SEK 11,978 million (12,910).
- Adjusted operating profit amounted to SEK 866 million (1,005) and adjusted operating profit per tonne amounted to 2.5 kSEK (2.7).
- Profit for the period decreased to SEK 600 million (688) and includes items affecting comparability of SEK –30 million (–64).
- Cash flow before financing activities was SEK –148 million (531) and includes capital expenditure of SEK 1,590 million (843) of which SEK 1,103 million refers to expansion investments. Adjusted cash flow before financing activities was SEK 1,048 million (977), corresponding to a cash conversion of 121 per cent.
- Total Recordable Rate²⁾ was reduced to 4.4 (6.1). Total carbon emissions intensity³⁾ was reduced by 6 per cent to 11.3 tonnes CO₂e/tonne (12.0), driven by lower emissions from purchased materials. Carbon emissions intensity from own operations and purchased energy increased to 0.82 tonnes CO₂e/tonne (0.76), driven by higher energy intensity.
- The Board of Directors proposes a dividend of SEK 3.40 (3.20) per share, corresponding to 43 per cent (35) of profit for the year.

Sales volume



Adjusted operating profit⁴⁾⁵⁾



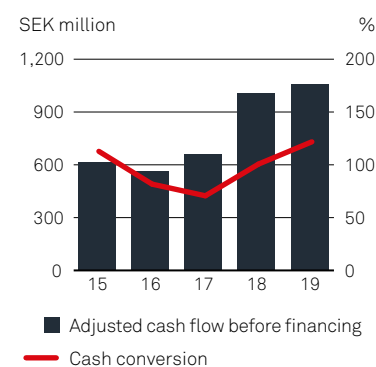
Performance summary

Financial summary	2019	2018	Change
Sales volume, ktonnes	347.3	375.0	-7.4
Net sales, SEK million	11,978	12,910	-7.2
Adjusted operating profit ⁴⁾⁵⁾ , SEK million	866	1,005	-13.8
Adjusted operating margin, %	7.2	7.8	-0.6 ppt
Adjusted operating profit per tonne, kSEK	2.5	2.7	-0.2
Operating profit, SEK million	836	940	-11.1
Operating margin, %	7.0	7.3	-0.3 ppt
Profit for the year, SEK million	600	688	-12.8
Earnings per share, basic and diluted, SEK	7.95	9.11	-1.16
Cash flow before financing activities, SEK million	-148	531	n/a
Equity/assets, %	41.2	44.2	-3.0 ppt
Net debt, SEK million	3,465	2,494	971
Return on capital employed, %	11.7	16.5	-4.8 ppt

Sustainability summary

Total Recordable Rate ²⁾	4.4	6.1	-1.7
Carbon emissions intensity ⁶⁾ , tonnes CO ₂ e/tonne	0.82	0.76	0.06
Sourced recycled aluminium, %	19.8	16.7	3.0 ppt

Adjusted cash flow before financing⁵⁾



1) The transaction is subject to regulatory approval by the relevant competition authorities. Read more on page 16.

2) Number of recordable accidents per million hours worked. Read more on page 106.

3) Includes direct emissions from own operations and indirect emissions from purchased energy and from purchased materials and services. Read more on pages 104–105.

4) Adjusted for items affecting comparability. Read more in Note 12 on page 68.

5) Read more about alternative performance measures on page 80.

6) Includes direct emissions from own operations and indirect emissions from purchased energy. Read more on pages 104–105.

A SOLID FOUNDATION FOR CONTINUED PROFITABLE GROWTH

During 2019 we continued to execute on our growth strategy and pursue our work on the strategic priorities of innovation, sustainability, continuous improvements and structural expansion. The actions we have taken during the year position Gränges very well and create a strong platform for continued profitable growth.

2019 has been a productive and successful year in many ways with strong focus on expansion, combined with cost reductions and efficiency improvements in all regions under challenging market conditions.

Strategic acquisition

I'm very happy that we in November could announce the agreement to acquire the Polish flat rolled aluminium producer Aluminium Konin. The acquisition is an excellent strategic fit for Gränges and complements our business and geographic presence. Aluminium Konin strengthens Gränges' product offering for new niche markets and enables broader offerings for future transportation solutions, such as electric vehicles. The acquisition will sharpen our competitive strength and create a stronger position in growing markets and further drive the development of sustainable customer offerings. In conjunction with the transaction Gränges also communicated the intention to undertake a rights issue, with preferential rights for existing shareholders, to finance the acquisition and future growth investments in line with the company's strategy.¹⁾

Structural expansion

During the year, we completed the expansion of the Huntingdon facility in the US, and we have re-opened our production facility in Newport to supply the US light gauge foil market. In Europe we are running an investment programme to increase efficiency and capacity in our facility in Finspång. The acquisition of Aluminium Konin and the expansion projects will, when fully finalized, add new capabilities and a total annual capacity of 220 ktonnes¹⁾.

The actions we have taken in 2019 position Gränges very well and create a strong platform for continued profitable growth.

Challenging market conditions

2019 was also a year with weak market conditions, lower end-market demand in combination with continued destocking in Europe and Americas. These conditions resulted in a sales volume decline, and for the full year, sales volume decreased by 7.4 per cent to 347.3 ktonnes, and the adjusted operating profit decreased to SEK 866 million. Cash generation was, however, very strong in the year with an adjusted cash flow before financing of SEK 1,048 million, corresponding to a cash conversion of 121 per cent. The expansion investments of in total SEK 1,103 million were financed with cash generated in the operations, and we ended the year with a net debt equivalent to 2.6 times adjusted EBITDA.

I would like to take this opportunity to highlight the efforts of Gränges' co-workers during the year. In Asia, we successfully maintained the market share despite increased competition in a weaker market. In the Americas and Europe, there has been challenging market conditions while large expansion projects have been conducted. I want to acknowledge our committed employees' everyday efforts in creating value for our customers, shareholders, and all our stakeholders.

Increased efficiency through continuous improvements

Increasing productivity, process stability, and energy efficiency, while reducing waste in the operations, are important and strategic focus areas. Gränges applies its concept for lean manufacturing

– Gränges' Production System (GPS). It is implemented at all production plants and has resulted in more efficient production flows and waste-free processes. Efficient metal management reduces costs through continually improving sorting of recycled aluminium as well as optimizing the different types of recycled aluminium used in the re-melting process. Also, Gränges' focus on operational efficiency reduces emissions to air and water and provides a safe and secure workplace for employees.

At the production plant in Shanghai, Gränges has implemented machine intelligence and advanced analytical tools, thereby optimizing productivity and quality. This leads to more accurate process control, improved energy utilization as well as reduced waste and environmental impact. In the Huntingdon plant, we implemented new automated systems to improve efficiency and reliability in operations. Close collaboration between the production plants and internal benchmarking drives growth and improvement work at all sites. Initiatives to learn from each other include for example internal safety assessments every six months at the production facilities.

Sustainability creates value

Sustainability aspects are significant drivers in the development of Gränges' customer offerings as well as operations. By developing sustainable products, services, and business models, we can meet new demands and proactively contribute to shaping a more sustainable future. Sustainability is an integral part of Gränges' business and plays a central role in the Group's growth and value creation. In 2019 we raised our ambitions for

¹⁾ The transaction is subject to regulatory approval by the relevant competition authorities. Read more on page 16.



“

Since the listing of the share in 2014, Gränges has more than doubled its sales volume and profit, and generated growth above industry average.”

Johan Menckel, CEO

sustainability, and continued to implement our group-wide sustainability framework across our operations and align the regional strategies with the global long-term sustainability targets. At the beginning of the year, Gränges became a member of the Aluminium Stewardship Initiative (ASI), and a few months later, our Shanghai plant received the ASI Performance Standard certification. During the year, we continued to support the principles of the UN Global Compact and contributed to fulfilling the 2030 Agenda and Sustainable Development Goals (SDGs).

In summary, we see good progress on many of our sustainability priorities in 2019, including a record-low safety accident rate, increased share of sourced recycled aluminium, reduced total carbon emissions driven by lower emissions from purchased materials and services, as well as a very high participation rate in our group-wide Code of Conduct and anti-corruption trainings. We have also taken actions to speed up the development of a broader and more sustainable customer offering.

Innovation for profitable growth

Sustainability is also an important element of Gränges' innovation process. Sustainability-driven innovation may involve continuous efficiency enhancements, reduced resource consumption along the value chain as well as more sustainable customer offerings. Gränges' innovation process is embedded in the Group's strategy and business model. The innovation efforts are based on external trends, customer and consumer insight, new technology, and business models with sustainability integrated into the process. Our innovation work is supported by Gränges' Research & Innovation (R&I) centres around the world and well-developed innovation culture. Cooperation with customers, suppliers and other external parties constitutes a growing part of the innovation and is also a resource-efficient way of working. A strong presence in emerging markets, such as the electric vehicles market, provides greater insight into trends and consumer needs. In 2019, Gränges increased the number of new patents granted by 30 per cent and established an R&I centre in Huntingdon in the US, focusing on continuous cast materials and solutions for HVAC, packaging, and other niche market segments. An R&I centre with local expertise is important to meet customers' demands in the region.

Executing on growth strategy

When evaluating the execution of our strategy, I'm pleased to conclude that Gränges is well positioned with a strong

global presence. Since the listing of the share in 2014, Gränges has more than doubled its sales volume and profit, and generated growth above industry average. We will continue to strengthening core market positions and growth in adjacent and niche markets by proactively developing new business and sustainable customer offerings.

At the time of writing, the ongoing outbreak of the corona virus, covid-19, affects our world. Demand on Gränges' end-customer markets as well as demand for Gränges' products will be affected, and the outbreak will also have an additional negative impact on light vehicle production in 2020.

Gränges stands strong

The actions executed in 2019 position Gränges very well and enhance the platform for continued profitable growth. With a stronger position in growing markets and a broader offering for future transportation solutions Gränges will be able to further drive the development of sustainable customer offerings and shape the future. With a strong commitment to continually improve and develop, Gränges is well-positioned for sustainable and profitable growth throughout economic cycles.

Johan Menckel, CEO

EXECUTING ON STRATEGY 2020

During 2019 Gränges continued to execute on the strategy in line with the strategic priorities innovation, sustainability, continuous improvements and structural expansion. With a strong commitment to constantly improve and develop, Gränges is well positioned for sustainable and profitable growth.

>> DRIVE GROWTH THROUGH INNOVATION

Gränges wants to lead the development of heat exchanger materials and other advanced aluminium materials and solutions to be the customers' preferred choice.

Achievements 2019

- Increased the number of new patents granted with 47 (36) patents.
- Established a Research & Innovation centre in Huntingdon, USA.
- Developed new solutions for customers in the battery industry.
- Implemented Artificial Intelligence in product development projects.
- Further developed the TRILLIUM® technology for new applications.

>> CREATE VALUE FROM SUSTAINABILITY

Gränges has a strong commitment to develop sustainable products, minimize the environmental impact of its operations, uphold ethical business practices, and provide a safe and good working environment.

Achievements 2019

- Reduced number of recordable accidents per million hours worked (Total Recordable Rate) by 28 per cent.
- Reduced total carbon emissions intensity¹⁾ by 6 per cent, driven by lower emissions from purchased materials and services.
- Increased share of sourced recycled aluminium by 3 percentage points.
- Reached a very high participation in the group-wide anti-corruption training (100 per cent) and in the Code of Conduct training (99 per cent).

>> INCREASE EFFICIENCY THROUGH CONTINUOUS IMPROVEMENTS

Gränges aims to increase productivity, process stability and energy efficiency, while reducing waste in its operations.

Achievements 2019

- Implemented efficiency measures including a general savings programme.
- Improved production efficiency in the facility in Shanghai by implementation of digitalization and automation.
- Improved quality and reduced average number of quality claims by 14 per cent.
- Improved the internal recycling rate by 2 percentage points.

>> GROW PRESENCE THROUGH STRUCTURAL EXPANSION

Gränges plans to invest in production capacity and capabilities, and to expand into adjacent markets.

Achievements 2019

- Signed an agreement to acquire Aluminium Konin, adding new capabilities and a total annual production capacity of 100 ktonnes (read more on page 16).
- Completed the expansion of the Huntingdon facility, increasing total annual production capacity by 40 ktonnes.
- Re-opened the Newport facility, adding a total annual production capacity of 20 ktonnes.
- Started the site logistics and efficiency project for the Finspång facility, adding a total annual production capacity of 20 ktonnes from 2022.

¹⁾ Includes direct emissions from own operations and indirect emissions from purchased energy and from purchased materials and services.

INVESTMENT CASE

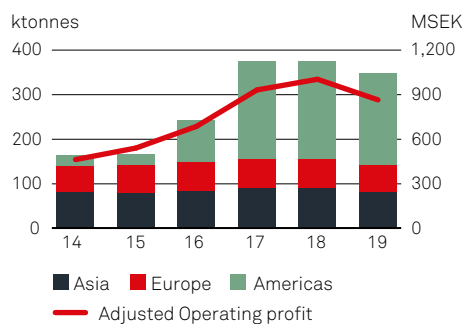
- **Growth above industry average,** driven by innovative and technologically advanced products and solutions.
- **Leader in attractive niche markets,** with a global offering and strong, long-term customer relations.
- **Clear industrial focus,** with a competitive advantage based on research and innovation, best-in-class technologies, and operational excellence.
- **Strong earnings and cash flow generation,** based on commercial and operational strength, together with firm balance sheet management.
- **Committed to sustainability,** as an integrated part of the business model.
- **Long-term value creation,** with a dividend policy which ensures that 30–50 per cent of net profit will be returned to shareholders.



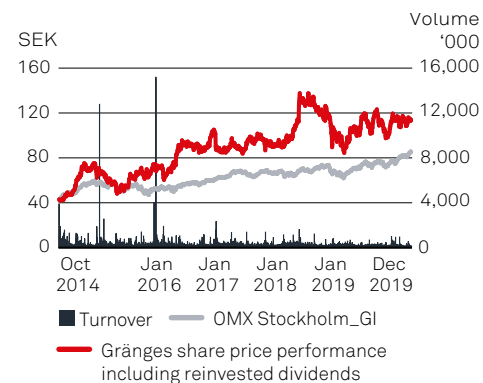
With Gränges' successful track record of acquisitions and ability to minimize environmental impact of its operations, we are confident that Gränges will continue to create long-term profitable growth. Since the listing of the share in 2014, Gränges has more than doubled its sales volume and profit and generated growth above industry average, driven by technically advanced products, innovation, successful acquisitions and a strong sustainability commitment.”

Jannis Kitsakis, Senior Portfolio Manager at The Fourth Swedish National Pension Fund (AP4), representing the largest shareholder in Gränges.

Sales volume and adjusted operating profit



Total return since IPO vs index



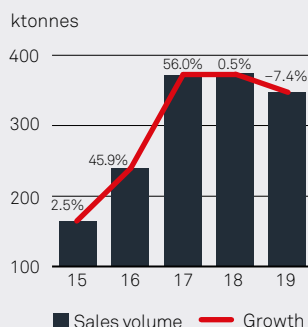
LONG-TERM TARGETS

FINANCIAL

Gränges should grow at least in line with the market, generate a return on capital employed of 15–20 per cent, have a net debt of 1–2 times adjusted EBITDA, and pay a dividend of 30–50 per cent of the profit for the year.

GROWTH

Increase sales volume at least in line with the company's end markets.



Comment: In 2019, sales volume decreased by 7.4 per cent, which was somewhat more than the decline in end markets, primarily due to inventory reduction in the supply chain.

RETURN ON CAPITAL EMPLOYED

Generate a return on capital employed of 15–20 per cent over time.



Comment: In 2019, return on capital employed decreased by 4.8 percentage points to 11.7 per cent, mainly due to higher capital employed driven by expansion investments in the US and Sweden.

CAPITAL STRUCTURE

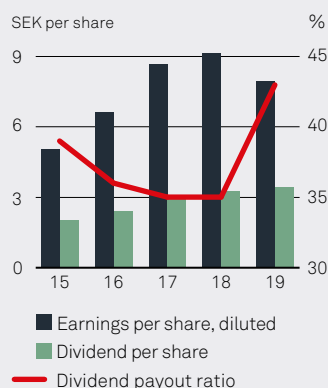
Have a net debt which should normally be 1–2 times adjusted EBITDA over the last 12 months period.



Comment: In 2019, net debt further increased by SEK 971 million to SEK 3,465 million. The increase is driven by expansion investments in the US and Sweden. On 31 December, 2019, net debt amounted to 2.6 times adjusted EBITDA (2.5 excluding IFRS 16 lease liabilities).¹⁾

DIVIDEND POLICY

Pay a dividend of 30–50 per cent of the profit for the year. Decisions on dividends will reflect the company's financial position, cash flow and outlook.



Comment: The Board of Directors proposes a dividend of SEK 3.40 per share for the 2019 fiscal year. This is an increase of 6 per cent compared to the previous year and corresponds to 43 per cent of the profit for the year 2019.

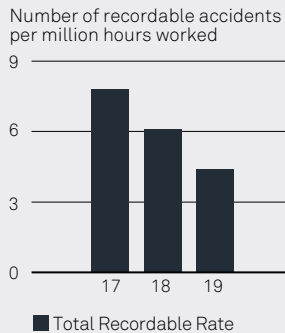
1) See note 3 for further information on IFRS 16 Leases.

SUSTAINABILITY

Gränges has a group-wide sustainability framework which covers 12 material topics grouped into five sustainability pillars. Each pillar has an accompanying long-term commitment and targets for 2025. The targets below represent a subset of the 2025 sustainability targets which can be found on pages 20–21.

WORKPLACE SAFETY

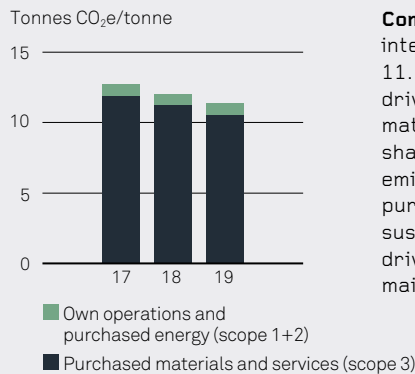
Reduce Total Recordable Rate to < 3.0 recordable accidents per million hours worked.



Comment: In 2019, Total Recordable Rate was reduced by 28 per cent and reached 4.4 recordable accidents per million hours worked (6.1), driven by a strong behavioural safety programme.

EMISSIONS AND CLIMATE IMPACT

Reduce carbon emissions intensity from own operations and purchased energy by 25 per cent.¹⁾ Reduce carbon emissions intensity from purchased materials and services.¹⁾



Comment: In 2019, total carbon emissions intensity decreased by 6 per cent to 11.3 tonnes CO₂e per tonne (12.0), primarily driven by emission reductions from purchased materials and services as a result of a higher share of sourced recycled aluminium. Carbon emissions intensity from own operations and purchased energy increased by 8 per cent versus 2017 to 0.82 tonnes CO₂e per tonne (0.76), driven by higher energy intensity which was mainly a result of lower production volumes.

ETHICAL BUSINESS PRACTICES

Make sure that 100 per cent of all employees are annually trained in Gränges' Code of Conduct.

99%

Comment: In 2019, 99 per cent (99) of all employees conducted the annual group-wide Code of Conduct online training.

RESPONSIBLE SOURCING

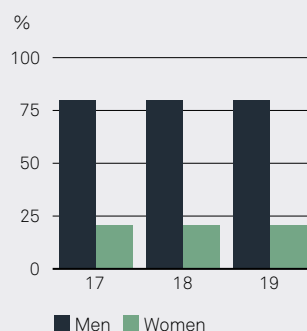
Ensure that 100 per cent of all significant suppliers²⁾ are committed to Gränges' Supplier Code of Conduct or equivalent standard.

99%

Comment: In 2019, 154 significant suppliers – corresponding to 99 per cent (98) of the total purchase value from significant suppliers – signed or were approved to have equivalent sustainability standards in place which are in line with Gränges' sustainability requirements.

DIVERSITY AND EQUALITY

Increase the share of women among senior management³⁾ to at least 30 per cent.



Comment: In 2019, the share of women among senior management was unchanged at 20 per cent (20).

1) Versus baseline 2017.

2) Suppliers with a purchase value above SEK 5 million, CNY 5 million or USD 0.5 million.

3) Employees eligible to participate in Gränges' long-term incentive (LTI) programme.

BUSINESS MODEL AND VALUE CHAIN

Gränges supports its customers with research and innovation, product development and technical support throughout the product's life-cycle. Material properties and design, which are Gränges' core competences, contribute to the efficiency and sustainability performance of customers' products and processes.

Strong customer relationships

Gränges' long-term customer relationships are characterized by customer-driven development and close collaboration, with a strong focus to meet the customers' critical needs for reliable, sustainable and high-quality products. Business relationships are typically long-term and 85 per cent of Gränges' customers have been with the company for more than ten years.

Technology leadership

Gränges has world-leading expertise in metallurgy and understanding of the production process, particularly in the development of alloys, hot rolling of clad materials, thermo-mechanical processing, and slitting. Product developers and engineers work closely with customers to optimize

the interaction between the materials and customers' machinery and processes.

Specialized and lean manufacturing

Gränges' production facilities are optimized according to the lean principles. Its production is demand-driven, and the company has a strong focus on continuous improvements to increase productivity, process stability and efficiency, while reducing operational waste. Gränges' own concept for lean manufacturing, the Gränges Production System (GPS), is implemented in all production plants.

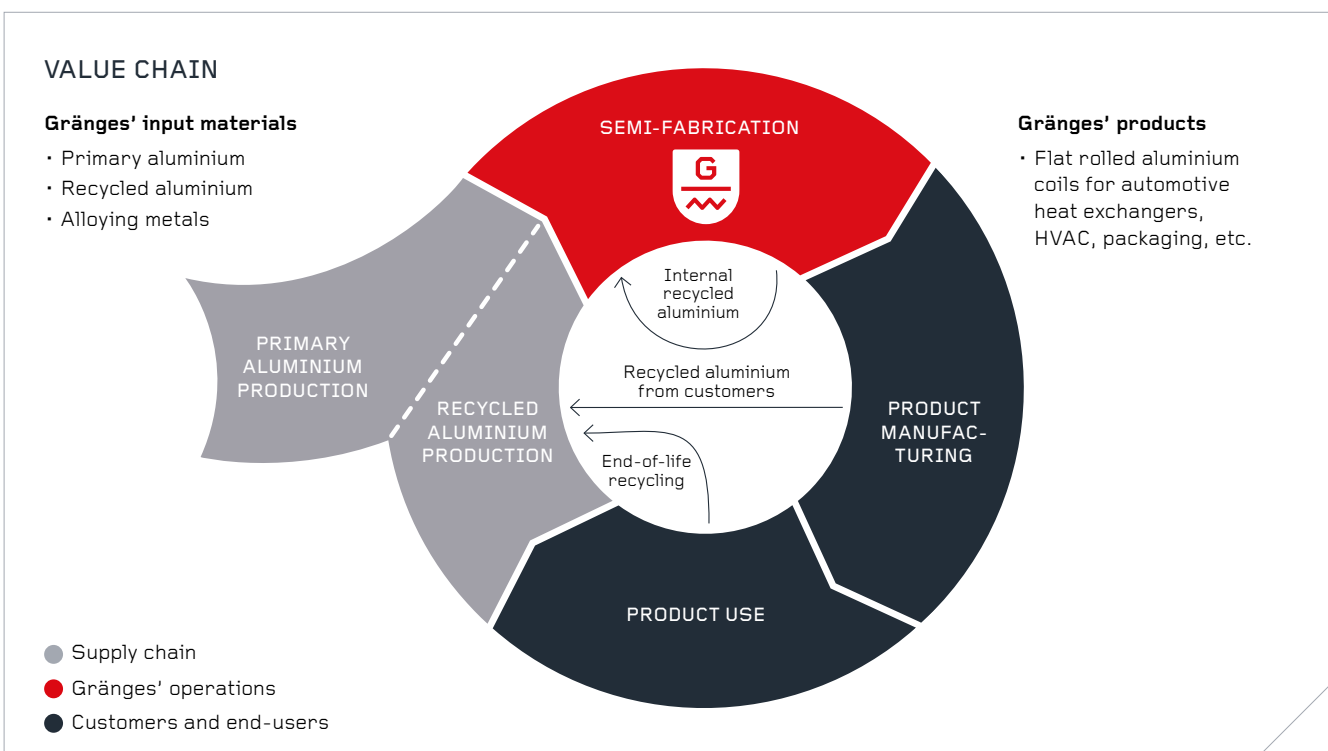
Strong experience and expertise

Gränges' many years of specialization in developing and manufacturing of advanced rolled aluminium products have

built up significant experience and expertise in material characteristics and manufacturing processes. The company collaborates globally to share best practice, valuable knowledge and experience.

Proven revenue model

Gränges generates its revenue by selling advanced materials manufactured for specific customers and applications in long-term contracts. Pricing is based on the added value that Gränges provides in terms of material properties and product complexity. The cost of aluminium, which is the primary input material, is passed on to customers.



TRENDS AND DRIVERS

There are several global trends and drivers that impact Gränges and its business. Together with customers and other stakeholders, Gränges aims to capture the business opportunities generated by these trends.

>> RESOURCE EFFICIENCY AND SUSTAINABILITY

A growing global population, urbanization and an expanding global middle class is putting pressure on the climate and the world's natural resources. This will lead to an increased demand for business models involving responsible supply chains, recycling, and a circular economy. Sustainable materials which can improve resource efficiency are a key enabler of sustainable development.

Opportunities and risks

- Increased demand for aluminium products driven by a global focus on sustainable development.
- Increased focus on reducing the climate impact from the supply chain.
- Sustainability becoming key criteria for investments, operations, purchasing, and Research & Innovation.

Gränges' actions

- Expand sustainable product offerings.
- Increase circularity and recycling of aluminium.
- Increase energy efficiency in own operations.
- Increase collaboration in the value chain to achieve higher traceability and supplier engagement.

>> DISRUPTIVE AUTOMOTIVE TECHNOLOGIES

Electrification, autonomous driving, connectivity, and the sharing economy are reshaping businesses. The electrification is driven by consumer and regulator acknowledgment of the environmental benefits of electric vehicles. Thermal management of batteries and other components is critical for the reliability and safety of electric vehicles, which is a condition for acceptance by consumers. The sharing economy leads to higher fleet utilization, resulting in new requirements for vehicle materials and design.

Opportunities and risks

- Increased development of products and applications for electric vehicles.
- New designs and material requirements in future vehicles.
- New players in the automotive industry.

Gränges' actions

- Strengthen capabilities to leverage the technology shift.
- Use and strengthen Gränges' R&I competence and create new business opportunities.
- Extend and broaden customer collaborations and develop new types of partnerships.
- Increase and broaden the development of flux-less (TRILLIUM®) and flux-free brazing materials.
- Develop solutions for improved battery performance.

>> DIGITALIZATION AND AUTOMATION

Digital transformation affects all parts of the value chain. The transformation enables more efficient processes, faster development cycles, optimized inventories and better use of resources. It also changes the way companies go to market and interact with customers.

Opportunities and risks

- Enabling more efficient operations, product development and integrated supply chains.
- Enabling new ways of interacting with customers and other stakeholders.
- New value adding services as well as differentiation.

Gränges' actions

- Upgrade and integrate IT-infrastructure and plant equipment to enable smart manufacturing and improved productivity.
- Apply advanced data analytics to optimize critical activities.
- Ensure sharing of best practices and know-how across the organization.

>> ECONOMIC AND POLITICAL DEVELOPMENT

Macro factors such as business cycles, as well as changes in trade legislation and emission regulations influence global companies such as Gränges. Geopolitical tensions and trade frictions have a negative impact on the global economy, putting strain on supply chains and disrupting the competitive landscape.

Opportunities and risks

- Optimization of supply chain through global positioning in different regions.
- Trade barriers requiring stronger partnerships with customers.
- Change in vehicle sales volume.
- Increased aluminium material content per vehicle.

Gränges' actions

- Further develop capabilities of heat exchanger materials in North America.
- Broaden product offering and solutions, enter new niche markets and optimize allocation of current capacities in different regions.
- Add value through product differentiation and partnerships.

MARKETS

Gränges has a leading position in rolled aluminium materials with product development, manufacturing, sales and technical support on three continents.

Market characteristics

Gränges is a leading global supplier of advanced aluminium products and solutions for heat exchanger applications and other niche markets. The market for advanced rolled aluminium materials is characterized by advanced technology, complex production processes, as well as customer-driven development with long-term customer relationships.

Advanced technology and production processes

The market for advanced aluminium materials is relatively difficult to enter. This is not primarily due to the capital-intensive nature of the industry, but rather because of the high level of competence and experience required to develop new, advanced materi-

als. These skills are also critical to operate flexible and efficient production processes, and to be able to guarantee a high degree of delivery reliability in terms of volume, time and quality. All this requires well-tuned manufacturing capabilities and processes refined over a long time, as well as effective customer service and a global logistics capacity.

Customer-driven development

Manufacturers are facing constant increased and new demands from customers for materials with lower weight, greater strength, higher corrosion resistance and lower environmental impact. The development of new products, materials and processes is conducted in close cooperation with customers, built and

based on long-term relationships. A core challenge is to meet the requirements of new applications and demands of end-customers, as well as trends that impact the business. Gränges strives to be at the forefront of developing adaptable and customized aluminium materials.

Competitors

The competition varies in size and strategic focus and differs between regions and end-user markets. Competitors are primarily major global aluminium companies such as Arconic, Novelis and UACJ. In Asia, there are several local players that are direct competitors to Gränges in the Asian market. In Europe, there is growing competition from manufacturers in Eastern and Southern Europe.

END-CUSTOMER MARKETS

The automotive industry – Gränges' materials inside every other car

The automotive industry includes all types of vehicles, from light to heavy duty, as well as hybrid and electric vehicles. Light vehicle production is an important driver of Gränges' sales of heat exchanger materials. The growing number of hybrid and electric vehicles and advanced features such as autonomous driving is further increasing the demand for Gränges' materials. Every other car produced in the world today contains heat exchangers with Gränges' material.

The HVAC¹⁾ industry – strict requirements favour Gränges' solutions

The HVAC industry includes systems for heating, ventilation and air-conditioning in private homes, and in commercial and industrial buildings. Market growth is driven by energy efficiency requirements as well as construction of new houses and buildings. Demand for reduced energy consumption and restrictions of refrigerants is driving improved HVAC design resulting in increased demand for Gränges' materials. Gränges supplies material to both brazed and mechanically-assembled aluminium heat exchangers. Americas is Gränges' most important HVAC market.

Other industries – many different areas of usage

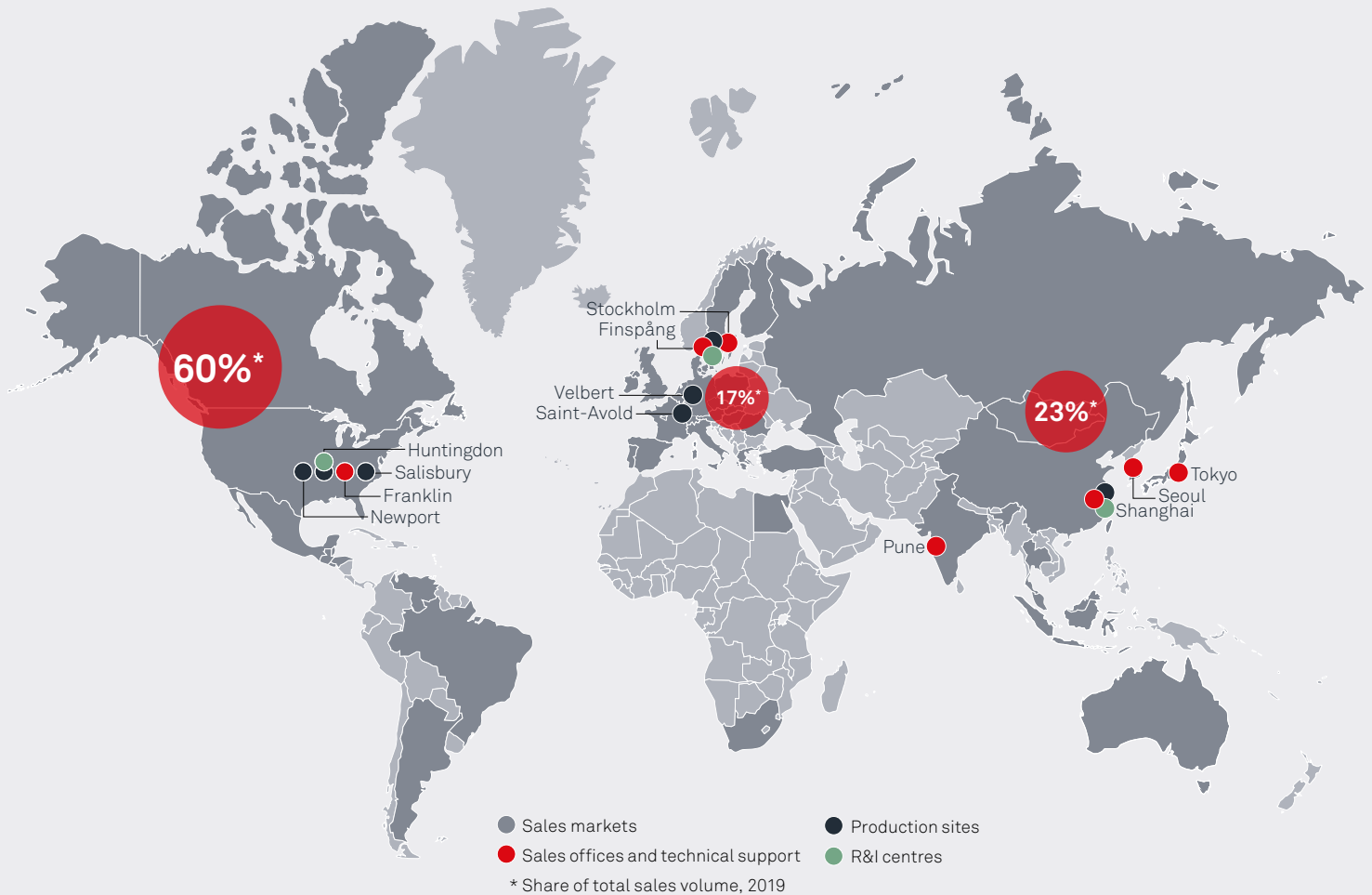
Examples of other segments that Gränges serves are winding material for transformers, aluminium foil for food packaging, and heat exchanger solutions for industrial applications, agricultural machinery and wind power turbines. In North America, aluminium plays an important role in the design of electrical distribution and large power transformers thanks to its significant cost and weight advantages compared with copper. Aluminium foil provides a complete barrier to light, oxygen, moisture, and bacteria, making it ideal for food packaging. Gränges is a major supplier of aluminium foil for food packaging and winding material for transformers in North America.

Sales volume per end-customer market, 2019



■ Automotive, 49%
■ HVAC, 25%
■ Other, 26%

1) Abbreviation for heating, ventilation and air conditioning systems. Sometimes used to define the stationary heat exchanger market.



A GLOBAL PLAYER

Gränges' geographical markets are Asia, Europe and Americas, and the company is a market leader in most of the markets in which it operates.

ASIA

Gränges has a leading position in rolled products for brazed aluminium exchangers in Asia. China is the main market and other key markets include India, Thailand and South Korea. In 2019, the automotive business accounted for 90 per cent (90) of Gränges' sales in Asia, where global customers accounted for 50 per cent (47) of the sales volume.

EUROPE

Gränges has a leading position in rolled products for brazed aluminium heat exchangers in Europe. The Czech Republic, Sweden, Germany and Poland are the largest markets. In 2019, the automotive business accounted for about 90 per cent (90) of Gränges' sales in Europe. Europe is a consolidated market with global customers accounting for 78 per cent (80) of the sales volume.

AMERICAS

Gränges has a leading position in rolled aluminium products for HVAC and is the second largest supplier of rolled aluminium for brazed heat exchangers to the automotive industry. The company also has strong positions in niche markets such as transformers and food packaging. The main markets are the US, Mexico and Brazil. In 2019, the automotive business accounted for 22 per cent (22) of Gränges' sales in Americas, and 78 per cent (78) was HVAC & Other business. Global customers accounted for 16 per cent (15) of total sales in Americas.

GRÄNGES' PRODUCTS IN SOCIETY

Gränges' products are used inside some of the world's most demanding applications.



HVAC

- Heat exchangers
- Evaporators
 - Condensers
 - Radiators
 - Microchannel heat exchangers



WIND TURBINES

- Heat exchangers
- Oil coolers

AUTOMOTIVE

- Heat exchangers
- Radiators
 - Low temperature radiators
 - Heaters
 - Condensers
 - Evaporators
 - Oil coolers
 - Chillers
 - Charge-Air-Coolers
 - Battery cooling plates
 - Electronics cooling plates

Other

- Structural applications
- Heat shields



TRANSFORMERS

- Conductor strip
- Cable wrap

SPECIALITY PACKAGING

- Converter foil
- Pharmaceutical foil
- Confectionery foil
- Lidding foil

OPERATIONS

Gränges is a leading supplier of rolled aluminium materials and offers production, sales, technical support and customer-driven product development.

PRODUCTION PLANTS

Gränges has five production facilities on three continents with a combined annual capacity of 460 ktonnes.

FINSPÅNG

100 ktonnes.

Automotive.

SHANGHAI

120 ktonnes.

Automotive and HVAC.

HUNTINGDON

200 ktonnes.

HVAC, automotive, food packaging, transformers, other.

SALISBURY

40 ktonnes.

HVAC, auto heat shield, other.

NEWPORT

20 ktonnes¹⁾.

HVAC, food packaging, converter foil.

Gränges also holds 51 per cent of the shares in the production company Getek, with facilities in Velbert, Germany, and St Avold, France, which produces aluminium billets using advanced spray-forming technology.

1) Capacity when fully completed.

Gränges holds strong positions in Europe, Asia and the US. The company has five production facilities on three continents with a combined annual production capacity of 460 ktonnes. Expansion takes place through organic growth and acquisitions.

A strong platform for growth

With product development and production capacity in three continents, Gränges has a solid platform to meet complex customer demands and new trends in an efficient and sustainable way.

Gränges focuses on developing new products, materials and processes in close cooperation with its customers. Gränges' product developers and technicians offer advanced technical support and a wide range of services to customers to optimize the interaction between Gränges' products and the customers' machinery, processes and applications. Gränges' validation capabilities enhance customers' competitiveness by saving time and cost for new product development and market introduction.

Strong company culture

Gränges has a strong corporate culture, based on the company's core values and committed employees, with ambition to constantly develop and improve. The core values – committed, action oriented, accessible and innovative – guide employees in their daily actions and lay the foundation for how to act and conduct business responsibly and ethically.

Sustainability is a natural part of the core business and strategy and Gränges strives to integrate sustainability aspects across its operations.

Materials and technology leadership

Gränges develops and produces advanced materials that enhance the efficiency in the customer's manufacturing processes, as well as the performance of the end-customers' products. Gränges is focused on rolled products for heat exchangers and selected niche applications and offers a comprehensive range of clad and unclad rolled aluminium products used for applications with a high degree of functionality and performance. Depending on the specific needs of a given application, Gränges offers multi-layer products. This variety provides virtually unlimited possibilities for customized solutions based on carefully selected alloy combinations, delivery conditions, cladding thickness and geometries. Leading-edge technology and true industrial craftsmanship ensure materials with consistent quality.

Aluminium is often referred to as the "green metal" thanks to its properties that support sustainable development. It is light, strong, corrosion resistant, durable, versatile and impermeable – and it is also highly recyclable. These unique characteristics enable Gränges to offer resource efficient and climate smart solutions for all customers.

A "SAFETY FIRST" WORK ENVIRONMENT

Safety is a top priority for Gränges and is integrated into the company's concept for lean manufacturing, which is part of continuous improvements throughout the organization. Internal safety assessments are conducted every six months at the production facilities, aiming to share experiences and best practice and to harmonize work processes.

During 2019, an all-time low level of accidents was recorded in the Shanghai production plant.



INCREASE EFFICIENCY THROUGH CONTINUOUS IMPROVEMENTS

Increasing productivity, process stability and energy efficiency, while reducing waste in the operations, are important and strategic focus areas.

Gränges' Production System (GPS)

Gränges applies its own concept for lean manufacturing – Gränges' Production System (GPS). It is implemented at all production plants and has resulted in simpler production flows and more waste-free processes. Efficient metal management reduces costs through continually improving sorting of recycled aluminium as well as optimizing the different types of recycled

aluminium used in the re-melting process. In addition, Gränges' strong focus on operational efficiency reduces emissions to air and water and provides a safe and secure workplace for employees.

At the production plant in Shanghai, Gränges has continued to increase the level of digitalization by successfully optimizing productivity and quality by using machine intelligence and advanced analytical tools. Smart sensors have for example gradually been applied in critical production equipment, which have helped to improve the machine availability as well as process stability significantly. The implementation of digital tools and a more accurate process control will also lead to

improved energy utilization and reduced waste in the slitting line, which has a positive environmental impact.

With the expansion of the Huntingdon plant, new automated systems have been implemented to improve efficiency and reliability in operations.

Knowledge sharing and best practice

Close collaboration between the production plants and internal benchmarking drives growth and improvement work at all sites. Initiatives to learn from each other include for example internal safety assessments every six months at the production facilities.

REMOVING A BOTTLENECK IN FINSPÅNG

A true example of continuous improvement is the initiative at the Finspång plant, that started two years ago and continues to deliver results, where Gränges has managed to remove a bottleneck in the production. The coil changing time at one of the cold rolling mills has been decreased by 25 per cent, and the average machine speed increased by 35 per cent. The improvement was achieved without any investment. The only tools used were clear goals, a consistent GPS focus, as well as commitment and cooperation between the teams working around the machine.



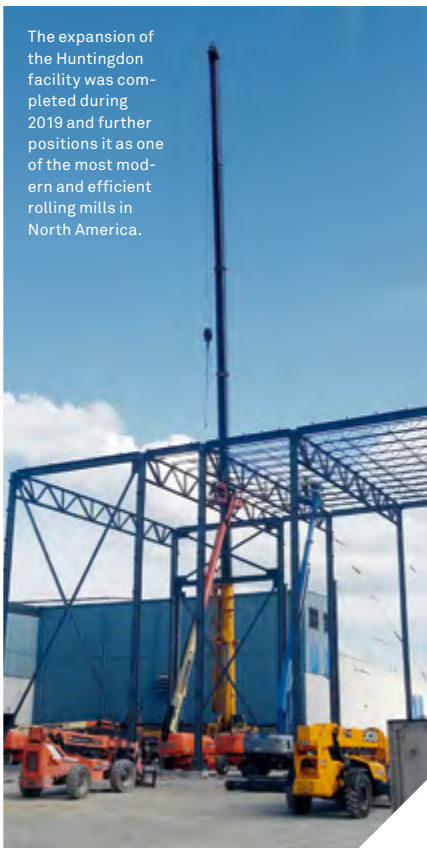
The production plant in Finspång managed to remove the previous bottleneck at mill 2751 during 2019.

CROSS-REGIONAL AND CROSS-FUNCTIONAL COLLABORATION

An example where close collaboration was productive and successful is the initiative to optimize annealing furnaces, based on tighter specification needs from Gränges' customers. A team with members from Shanghai, Finspång and the headquarters worked together with the goal to investigate what needed to be done to achieve a more evenly distributed temperature in coils, and to decrease the material temperature variations.

Innovative ideas and experiments led to the result where the cross-functional team including Research & Innovation, Process Development, Maintenance and Production Technique managed to pinpoint the airflow needed to even out the temperature in the annealing furnaces. The solution was developed by using scientific methods combined with hands-on process competence.

Thanks to better heat transfer in the coils, there is also a potential to reduce the annealing programs time, with retained materials quality.



The expansion of the Huntingdon facility was completed during 2019 and further positions it as one of the most modern and efficient rolling mills in North America.

GROW PRESENCE THROUGH STRUCTURAL EXPANSION

Grow presence through structural expansion is one of Gränges' strategic focus areas. Gränges invests in production capacity and capabilities to meet increasing demand, address new end-customer markets and expand into adjacent markets. Total annual production capacity has increased from 90 ktonnes in 1999 to 460 ktonnes in 2019, of which 40 ktonnes capacity was added during 2019.

Expansion in Europe and Americas

Significant structural expansions were initiated in the production facilities in Sweden in 2018 and in the US in 2017. The projects have proceeded according to plan and the majority were completed in 2019. These expansions will add an annual production capacity of 80 ktonnes when totally completed. In November 2019, Gränges announced the agreement to acquire the Polish aluminium producer Aluminium Konin, which will add another 100 ktonnes in production capacity and strengthen Gränges' presence in Europe.

Ongoing expansion projects

The expansion project in **Finspång**, Sweden, to increase the production capacity by 20 ktonnes, proceeds according to plan. The investment of SEK 400 million will also improve operational efficiency and logistics and reduce transport and emissions. The project was started in 2018 and will be completed in 2021.

The expansion of the **Huntingdon** and **Newport** facilities were started in 2017 and 2018 to further strengthen Gränges' position in North America and serve as an important platform for growth. During 2019 the Huntingdon facility expansion of 110 MUSD was completed and increased annual production capacity from 160 ktonnes to about 200 ktonnes to meet the growing demand for HVAC, foil products, automotive and selected niche markets. The investment of 26 MUSD to upgrade the Newport facility's existing rolling mills and equipment proceeded according to plan during 2019 and will, when completed, add 20 ktonnes of new capacity to meet growing demand in the light gauge foil market in the US.

THE ACQUISITION OF ALUMINIUM KONIN



In November 2019, Gränges signed an agreement to acquire the Polish flat rolled aluminium producer Aluminium Konin. The acquisition strengthens Gränges' product offering and presence in Europe and contributes with strong positions in new attractive niche markets. Aluminium Konin adds new capabilities and capacity to expand Gränges' offering for future transportation solutions, such as electric vehicles, and contributes to a stronger position in growing markets. The acquisition is a good strategic fit for Gränges and enhances the company's platform for sustainable profitable growth.

Aluminium Konin has a diversified product portfolio and a solid financial track-record. It operates a highly

developed and cost competitive integrated rolling mill located in Konin, Poland, with an annual capacity of 100 ktonnes. Gränges will complete an expansion programme initiated by the seller, of SEK 1.1 billion over three years, to further strengthen Aluminium Konin's capabilities and increase the annual capacity to 140 ktonnes. Aluminium Konin's net sales by September LTM 2019 amounted to SEK 3.0 billion and the company has around 750 employees. The acquired business will be a wholly owned subsidiary of Gränges AB.

The transaction is subject to regulatory approval by the relevant competition authorities.

To finance the acquisition, Danske Bank, Nordea Bank and Svenska Handelsbanken are providing a SEK 2.3 billion bridge loan facility with a time to maturity of 18 months.

In conjunction with the transaction, Gränges intends to undertake a rights issue with preferential rights for existing shareholders to a total amount of approximately SEK 2 billion. The transaction is not conditional upon the rights issue, which is proposed to maintain Gränges' financial strength and to partly be used for future growth investments in line with Gränges' strategy.

Gränges' Board of Directors intends to propose that a general meeting authorizes the Board to issue new shares through the rights issue. Approximately SEK 1.5 billion of the rights issue proceeds will be used to finance part of the transaction, and approximately SEK 0.5 billion will be used for future growth investments in line with Gränges' strategy.

INNOVATION FOR PROFITABLE GROWTH

Gränges' innovation process is embedded in the Group's strategy and business model. The innovation efforts are based on external trends, customer and consumer insight, new technology and business models with sustainability integrated into the process.

GRÄNGES' R&I CENTRES

FINSPÅNG

Global, and regional for Europe.
Focus on materials and solutions
for brazed heat exchangers and
new technologies.

SHANGHAI

Regional for Asia.
Focus on solutions for electric
vehicles and related new
applications.

HUNTINGDON

Regional for Americas.
Focus on continuous cast
materials and solutions for
HVAC, packaging and other niche
markets.

Gränges' R&I organization
engages around 60 highly
educated employees worldwide,
including metallurgists,
chemists, metallographers,
physicists, mechanical
engineers and technicians.

Gränges' innovation efforts are supported by the company's R&I centres around the world and by a well-developed innovation culture. Cooperation with external parties, customers and suppliers constitutes a growing part of innovation and is also a resource-efficient way of working. Gränges' innovation involves the development of new products and services, further development and improvement of existing offerings and solutions, as well as expansion of offerings and the value chain.

Sustainability is also an important element of Gränges' innovation process. Sustainability-driven innovation may involve continuous efficiency enhancements, reduced resource consumption along the value chain, as well as developing more sustainable product offerings. A strong presence in emerging markets, such as the electric vehicles market, provides greater insight into trends and consumer needs. This knowledge and insight are used to develop new products, services, solutions and business models adapted to the conditions in these markets.

Gränges' research and innovation

With a strong expertise in material properties and characteristics, Gränges conducts strategic research and innovation as well as customer-driven product development. Gränges' strong product offering is the result of advanced knowledge of metallurgy and production processes as well as long-term commitment to research and innovation. The work is conducted cross-functionally within Gränges, with external customers and, in selected key areas, with leading universities and research institutes. The strategic research is managed globally, while the customer-driven development is carried out locally in close cooperation with the production plants and customers. This organization enables quicker decision-making and a faster product development process, as Gränges can test and verify new products directly in production. Cooperation in development projects, day-to-day contact and regular meetings between R&I centres facilitate knowledge sharing within Gränges.

“

Gränges is a proactive partner, continuously improving our technology, efficiency and flexibility to meet the demands and challenges of today and tomorrow.”

Kent Schölin, SVP Research & Innovation, Gränges

A NEW R&I CENTRE ESTABLISHED IN THE US

In 2019, Gränges established an R&I centre in Huntingdon in the US. A laboratory with local expertise is important to meet customers' demands in the region. After 27 years at Gränges in Finspång, material expert Torkel Stenvist moved to Huntingdon in 2019 to join the team to build up the Group's new R&I centre there. He works closely with the R&I centres in Finspång and Shanghai, is involved in all parts of the build-up of the new R&I centre, provides technical sales support and manages development projects.

Innovative solutions and new technologies

Gränges develops innovative materials and solutions, enabling customers to increase their productivity and energy efficiency, improve safety and leverage opportunities linked to digitalization and automation. Over the years, Gränges has developed a large number of products with improved end-characteristics, increased stability and enhanced sustainability. Gränges' focus on technology, manufacturing processes, and material properties contribute to creating smaller, lighter and more designable solutions that increase economic efficiency and reduce environmental impact.

An important trend impacting Gränges' customers' demand is the transformation in the automotive industry. The electric vehicles market is growing and evolving rapidly, which means new business opportunities for Gränges. New solutions for heat exchangers are needed for the cooling of batteries, power electronics and other electrical components. Efficient thermal management is important for the performance and longevity of batteries. Further weight reduction, new designs as well as stronger and more corrosion resistant materials will be required.

To stay ahead in the ongoing transformation in the automotive industry, Gränges has a pipeline of new materials to meet customers' demands of today and tomorrow, such as new needs in battery cooling, chillers and charge air coolers. Gränges cooperates with OEMs and other players in the value chain, notably in the design of battery cooling systems. Gränges is also increasing its efforts in developing new solutions and materials for applications beyond heat exchangers, such as materials in vehicle bodies, battery casing and aluminium foil in batteries. Gränges has a strong position in evolving markets and the capability to customize product offerings for new niche markets. A part of Gränges' R&I organization is focusing solely on new material technologies.

Gränges' patented technology TRILLIUM® enables customers to remove steps in the production process and develop more complex and compact designs. This technology simplifies the brazing process by making the degreasing, fluxing, cleaning, and drying stages redundant. It also improves customers' sustainability performance due to the built-in fluxing agents that enables customers to operate a process without added flux.

Participation in industry seminars

Gränges regularly participates in various industry seminars around the world as a good opportunity to meet customers, OEMs and peers, and to share ideas and to discuss future opportunities within the industry. One example is Gränges' participation at the second New Energy Vehicle thermal management summit in Shanghai, China in September 2019. The event gathered some 160 automotive thermal management professionals to focus on heat exchangers, batteries, the environment, and technologies for vehicle thermal management.

Patent portfolio

Patenting activities are pursued in a central organization that maintains a global focus. They ensure appropriate protection for Gränges' innovations to create and maintain a valuable patent portfolio. In 2019, Gränges increased the number of new patents granted with 47 (36). As at 31 December 2019, the company's research and innovation efforts had resulted in 58 patent families and 195 granted patents, with an additional 79 patent applications pending.

INNOVATIVE SOLUTIONS FOR NEW AREAS OF USE

Through the ongoing development of brazing wire, Gränges is expanding the field of applications of the patented technology TRILLIUM®. Compared to traditional flux core products, Gränges' offering improves joint formation and brazeability, thanks to a more consistent flux content and more efficient use of the same; less flux is needed, thus reducing flux residues and allowing Gränges to meet OEMs' requirements. TRILLIUM® brazing wire also allows for new shapes and greater design flexibility. The product will be aimed primarily for stationary heat exchangers, but also towards heat exchanger manufacturers in the automotive industry. In both cases, it will be a complement to today's offering.



ARTIFICIAL INTELLIGENCE USED TO INCREASE USE OF RECYCLED ALUMINIUM

In 2019, Gränges initiated an artificial intelligence (AI) project to increase the use of recycled aluminium. Today two thirds of Gränges' most complicated clad materials are recycled. By combining AI models with the expertise of the people in the cast house, it will be possible to recycle even more. Marcus Wallberg, AI Engineer, Finspång, says:

"Reducing waste is crucial both for the environment and for the company's profitability, and it's an area where AI can help us make a difference."

SUSTAINABLE BUSINESS VALUE

By managing its business in a sustainable and responsible way, Gränges works to strengthen its long-term competitiveness and value creation, both financially and operationally. Sustainable business value is achieved through execution of the company's sustainability framework and long-term targets.

Sustainability – a competitive advantage

Sustainability is a natural part of Gränges' core business and strategy. It helps to increase the company's long-term competitiveness and aims to create lasting value for Gränges as well as for its customers, employees, investors, and other stakeholders. Sustainable business value is created both by reducing undesired impacts of the company's operations and by further increasing the positive contributions that emerge from integrating sustainability aspects into the business.

With the global push for sustainable development and the transformation into a more circular and resource-efficient economy, Gränges' customers are increasingly recognizing the importance of using sustainable materials. Gränges' technical expertise and competence in aluminium material properties and performance helps customers and the whole value chain to improve resource efficiency and climate performance, in line with the global transition towards sustainable development and a circular economy. Gränges' lightweighting and recyclable aluminium products, for example, help to increase fuel efficiency in vehicles and energy efficiency in buildings.

Ambitious framework and long-term targets

Stakeholder engagement is fundamental to Gränges' business, and the company's group-wide sustainability framework and 2025 targets are based on input from continual dialogue with stakeholders.

The company's sustainability framework is structured into five pillars, each governed by one member of Group Management who proposes global sustainability priorities and coordinates with Gränges' regional teams to implement local sustainability activities. More details on the process to identify material topics can be found on pages 98–99.

In 2019, Gränges continued to implement its sustainability framework. The focus was to align regional strategies and activities with the group-wide long-term sustainability targets, and to increase employee awareness and engagement.

Promoting sustainable development

Gränges participates in various industry initiatives to ensure that aluminium is mined, produced and used sustainably, and to drive change where it has the highest value chain impact. Read more on page 99.

Gränges has participated in the UN Global Compact since October 2016 and undertakes to fulfil the principles relating to human rights, labour, environment, and anti-corruption. The principles also form the foundation of the company's Code of Conduct and Supplier Code of Conduct.

Gränges is also committed to helping fulfil the 2030 Agenda and Sustainable Development Goals (SDGs). The company has identified those SDGs that are most relevant for the company's business and where Gränges has its largest contributions. Read more on page 100.



ACHIEVING ASI CERTIFICATION

At the start of 2019, Gränges joined the Aluminium Stewardship Initiative (ASI), a global, multi-stakeholder, non-profit standards setting and certification organization which works to maximize the contribution of aluminium to a sustainable society. Through its membership, Gränges promotes greater sustainability and transparency in the aluminium value chain.

Only six months after becoming an ASI member, Gränges' Shanghai facility successfully achieved certification against ASI's Performance Standard, which was a milestone for the company. The certification demonstrates that Gränges' aluminium products are produced responsibly and sustainably. Gränges aims to continue certifying its production facilities to ASI's certification standards.

“ How we plan and run our business today has a profound impact on the future. We must continuously challenge ourselves to develop sustainable offerings that create tangible business and sustainability benefits for our customers.”

Johan Menckel, CEO



SUSTAINABILITY FRAMEWORK AND 2025 TARGETS



SUSTAINABLE
PRODUCT OFFERINGS



RESPONSIBLE AND
SUSTAINABLE SOURCING



SUSTAINABLE
OPERATIONS

OUR SUSTAINABLE COMMITMENTS

We will enhance the sustainability performance of our products through development of innovative and eco-responsible offerings and provide customers with verified sustainability performance data. By doing so, we aim to improve their environmental footprint and contribute positively to a more circular industry approach to aluminium.

We will ensure that our suppliers maintain high sustainability standards by enforcing strict criteria in our supplier sourcing agreements and partnerships. We also commit to improve the environmental footprint in our supply chain by working with our suppliers and promoting sustainable practices.

We will strengthen operational efficiency and continuous improvements in our operations to improve material and energy efficiency, and reduce emissions to air and water, while at the same time provide a safe and secure workplace for our employees. Thereby, we minimize the negative impacts of our operations.

OUR MATERIAL TOPICS, 2025 TARGETS AND 2019 PERFORMANCE

Eco-responsible innovation

— Target not yet available.¹⁾

Responsible sourcing

● 100 per cent of all significant suppliers²⁾ to be committed to Gränges' Supplier Code of Conduct or equivalent standard.

Workplace safety

- Total Recordable Rate to be < 3.0 recordable accidents per million hours worked.
- Severity Rate to be < 50 lost workdays per million hours worked.

Product life-cycle sustainability performance

— 80 per cent of Gränges' products to have verified sustainability information available.

Sourced recycled aluminium

● 20 per cent of total sourced metal inputs to be recycled aluminium.

Water management

● All Gränges sites to have implemented a local water management plan.

Energy

- The share of sourced renewable energy (electricity, heat, fuels) to increase.³⁾
- Energy intensity to be reduced by 17 per cent.³⁾

Emissions and climate impact

- Carbon emissions intensity from purchased materials and services to be reduced.³⁾
- Carbon emissions intensity from own operations and purchased energy to be reduced by 25 per cent.³⁾

SUSTAINABLE DEVELOPMENT GOALS (SDGs)



Read more on page 23.

Read more on pages 24–25.

Read more on pages 26–28.

Note: Minor edits to clarify target articulations have been done in 2019.

1) Gränges works to define and externally disclose targets for eco-responsible innovation.

2) Suppliers with a purchase value above SEK 5 million, CNY 5 million or USD 0.5 million.

3) Versus baseline 2017.

● Positive or unchanged development 2019 versus 2018

○ Negative development 2019 versus 2018

— Development 2019 versus 2018 not applicable as result for 2019 is not available



DIVERSE AND HIGH-PERFORMING TEAMS



ETHICAL BUSINESS PRACTICES

OUR SUSTAINABLE COMMITMENTS

We will ensure that our people are motivated and engaged. By being an open and inclusive employer, with zero tolerance of discrimination, we will provide a diverse workplace where employees can realize their full potentials and contribute to developing a high-performing organization.

We will run our business in an ethical and responsible way and be an ethically sound partner in all our relations and in the societies in which we conduct business. We never accept corruption and we will always act rapidly, stringently and vigorously if discovering corruption or unethical behaviour.

OUR MATERIAL TOPICS, 2025 TARGETS AND 2019 PERFORMANCE

Career and leadership development

- 100 per cent of all employees to receive annual performance and development discussion.

Ethics and anti-corruption

- 100 per cent of all employees to be annually trained in Gränges' Code of Conduct.
- 100 per cent of all white-collar employees to be annually trained in anti-corruption.¹⁾

Diversity and equality

- At least 30 per cent of senior management²⁾ to be women.

Employee wellbeing

- Employee engagement index to reach at least 85.

SUSTAINABLE DEVELOPMENT GOALS (SDGs)



Read more on pages 29–30.

Read more on page 31.

Gränges has a group-wide sustainability framework which covers those 12 material topics that have the highest sustainability impact and which stakeholders assess to be most important for the company to address. The topics are grouped into five sustainability pillars, each governed by one member of Group Management. Each pillar has an accompanying long-term commitment and targets for 2025.

More details on the process to identify material topics can be found on pages 98–99 and more information about performance and target fulfilment for 2019 can be found in the sustainability notes on pages 101–108.

In its work to establish the sustainability framework, Gränges also identified those Sustainable Development Goals that were deemed to be most relevant for Gränges' business and where the company has its largest impacts. More information, including links from Gränges' activities and targets to specific SDGs and SDG sub-targets, can be found on page 100.

1) Target has been reformulated in 2019 to cover all white-collar employees.
2) Employees eligible to participate in Gränges' long-term incentive (LTI) programme.

● Positive or unchanged development 2019 versus 2018
○ Negative development 2019 versus 2018
— Development 2019 versus 2018 not applicable as result for 2019 is not available

CLIMATE STRATEGY

Gränges is committed to combatting climate change and reducing the climate impact from its business and along the value chain. Managing the climate topic therefore runs through the company's sustainability framework and value chain.

Taking a value chain perspective

Gränges works actively to take product stewardship and reduce environmental impact along the value chain, taking a life-cycle perspective.

As illustrated below, Gränges has identified five main priorities to reduce the company's climate impact from a life-cycle perspective: 1) Increase sourcing of recycled aluminium; 2) Expand sourcing of primary aluminium produced with renewable energy; 3) Increase energy efficiency in own operations; 4) Increase sourcing and use of renewable energy in own operations; 5) Incorporate sustainability into product development and customer collaboration. Priorities 1), 2) and 4) are managed as part of Responsible and sustainable sourcing (refer to pages 24–25), priority 3) as part of Sustainable operations (refer to pages 26–27) and priority 5) is managed as part of Sustainable product offering (refer to page 23).

Reducing the carbon footprint

In 2019, Gränges reduced its total greenhouse gas emissions by 14 percent to 3,910 tonnes CO₂e (4,520).

Carbon emissions from purchased materials and services, which accounted

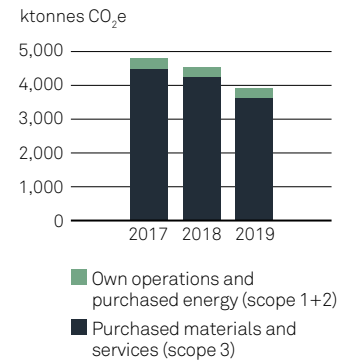
for 93 per cent (94) of the total emissions, were reduced by 14 percent, mainly driven by a higher share of sourced recycled aluminium. The corresponding carbon intensity decreased by 7 percent versus 2018 and 12 percent versus the baseline 2017.

Carbon emissions from own operations and purchased energy, which accounted for 7 per cent (6) of Gränges' total carbon footprint, were reduced by 1 per cent to 282.6 tonnes CO₂e (284.6). The corresponding carbon intensity increased by 8 percent versus 2018 and 1 per cent versus baseline 2017. This was driven by higher energy intensity which was mainly a result of lower production volumes. Gränges aims to take actions towards the 2025 reduction target.

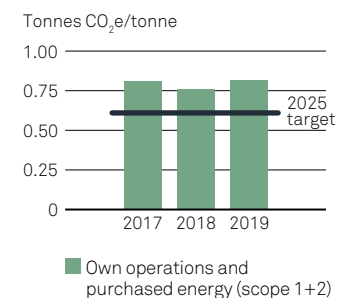
Expanding the scope

Gränges follows the Greenhouse Gas Protocol (GHG Protocol) guidelines to calculate its climate impact, from bauxite extraction to delivery of Gränges' products to customers. So far, the product use and end-of-life phases have been excluded due to a lack of relevant data. Gränges will assess adding this part to its scope for calculations, to support customers to reduce climate impacts along the value chain.

Total carbon footprint, 2019



Carbon emissions intensity



KEY PRIORITIES TO REDUCE CLIMATE IMPACT

SUPPLY CHAIN

1) Sourced recycled aluminium: Increase sourcing of recycled aluminium and develop innovative alloys which allow for a higher share of recycled aluminium.
GHG Protocol: Scope 3

2) Renewable energy in supply chain: Expand sourcing of primary aluminium produced using renewable energy.
GHG Protocol: Scope 3

93% of total emissions

GRÄNGES' OPERATIONS

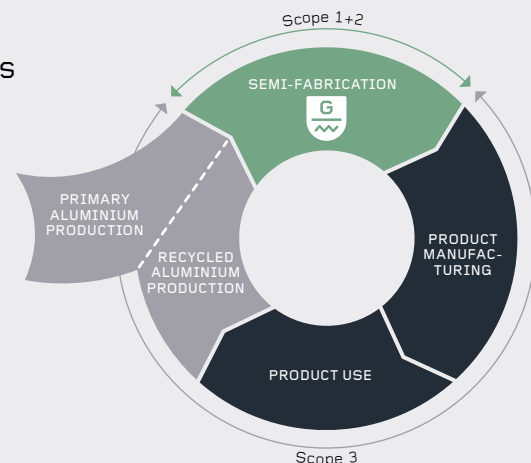
3) Energy intensity: Increase energy efficiency in own operations through various internal improvement activities.
GHG Protocol: Scope 1

4) Renewable energy in own operations: Increase the sourcing and use of renewable energy in own operations.
GHG Protocol: Scope 2

7% of total emissions

CUSTOMERS AND END-USERS

5) Eco-responsible innovation: Incorporate sustainability into product development and customer collaboration to reduce climate impact in the product manufacturing and use phases.
GHG Protocol: Scope 3





SUSTAINABLE PRODUCT OFFERINGS

Gränges' products contribute to increased business and sustainability benefits for customers and end-users. Aluminium's lightweighting properties and its recyclability support the transition towards a circular economy through improved resource efficiency and climate performance.

TARGETS 2025

- >> 80 per cent of Gränges' products to have verified sustainability information available.

PERFORMANCE 2019

- >> Life-cycle assessment (LCA) pre-study conducted, which will serve as the foundation for how to achieve verified sustainability information on Gränges' products starting from 2020.
- >> 62 per cent (44) of product development projects were assessed to lead to improved climate performance for Gränges' customers.

IMPROVED SUSTAINABILITY PERFORMANCE THROUGH TRILLIUM®

Gränges' TRILLIUM® material is a good example of an innovative product which improves customers' sustainability performance. As a result of the built-in fluxing agents in TRILLIUM®, the product enables customers to operate a process without added flux, which leads to better workplace health and safety and a more efficient production process. Exposure to fluxing can cause harm to both eyes and other organs, and the associated dust can harm people and contaminate machines. A process without added flux also leads to customers having less industrial waste and an improved metal yield.

Aluminium as the "green metal"

Thanks to aluminium's lightweighting properties and its recyclability, customers and end-users can improve resource efficiency and climate performance by enabling less, longer and smarter usage of materials. Less usage because of aluminium's light weight and its recyclability; longer usage due to its high corrosion resistance and durability; and smarter usage due to its versatility and impermeability. Aluminium is often called the "green metal" because of these properties which support a resource efficient society.

A study¹⁾ from 2016 concluded that lightweighting of transport vehicles leads to substantial fuel and carbon emissions savings. The potential lifetime saving for a passenger car was estimated at 500 kg to 2,000 kg of carbon dioxide per 100 kg weight reduction.

ECO-RESPONSIBLE INNOVATION

Improving sustainability performance

Developing products that can increase customers' sustainability performance and reduce their environmental footprint is a top priority at Gränges.

Incorporating sustainability into product development expands the scope of sustainability considerations beyond production processes to the entire life-cycle of the products. The biggest opportunities for improving products' sustainability performance is in the early stages of the product development process, when the product characteristics are decided.

1) IFEU 2016: Energy savings by lightweighting – 2016 Update.

In 2019, 62 per cent (44) of Gränges' product development projects were assessed to lead to improved climate performance for customers. Gränges for example works to develop products that are based on more recycled aluminium and which improve energy efficiency in the usage phase.

LIFE-CYCLE SUSTAINABILITY PERFORMANCE

Declaring sustainability impacts

In 2019, Gränges continued to prepare for assessing and declaring its products' sustainability impact to help customers make fact-based sustainability evaluations of Gränges' products and to improve products' sustainability performance.

The company conducted a life-cycle assessment (LCA) pre-study in the operations in Europe covering selected products to decide on scope and calculation methodology to be used in the sustainability product declarations. In line with the pre-study, Gränges plans to build its declarations on LCA methodology in accordance with ISO 14040 and ISO 14044. Results from the pre-study confirmed that alloys based on a high share of recycled aluminium had a significantly lower carbon footprint and that the raw materials contributed to most of the carbon footprint, even for alloys based on a high share of recycled aluminium.

From 2020, Gränges plans to start communicating products' sustainability performance as a first step towards the 2025 target that 80 per cent of its products should have verified sustainability information available.

“ We see a clear trend that customers are increasingly interested in sustainability data on material and component level. Gränges is committed to produce such information and to use it to enhance our products' sustainability performance.”

Kent Schölin, SVP Research & Innovation



RESPONSIBLE AND SUSTAINABLE SOURCING

An efficient and sustainable supply chain is essential for Gränges' long-term success. Gränges promotes responsible and sustainable practices in its supply chain and works to incorporate sustainability criteria into its sourcing agreements and partnerships. The aim is to improve supply chain sustainability performance and reduce the associated risks.

TARGETS 2025

- >> 100 per cent of all significant suppliers¹⁾ to be committed to Gränges' Supplier Code of Conduct or equivalent standard.
- >> 20 per cent of total sourced metal inputs to be recycled aluminium.
- >> The share of sourced renewable energy (electricity, heat, fuels) to increase.²⁾
- >> Carbon emissions intensity from purchased materials and services to be reduced.²⁾

PERFORMANCE 2019

- >> 154 suppliers (137) signed the Supplier Code of Conduct or were assessed to have equivalent standards in place which are in line with Gränges' sustainability requirements. This corresponded to 99 per cent (98) of the purchase value from all significant suppliers¹⁾.
- >> Increased the share of recycled aluminium to 19.8 per cent (16.7) of total sourced metal inputs, up by 3.0 percentage points versus 2018.
- >> The share of renewable energy, from sourced electricity and heating, reached 8 per cent (9). Read more on page 27.
- >> Carbon emissions intensity from purchased materials and services reached 10.5 tonnes CO₂e/tonne (11,2), down by 7 per cent versus 2018 and 12 percent versus baseline 2017, primarily driven by a higher share of sourced recycled aluminium.

A global supply chain

In 2019, Gränges had around 2,500 (2,200) suppliers globally, of which 158 (143) were defined as significant¹⁾.

Around 77 per cent (85) of the purchase value from significant suppliers was related to direct materials, i.e. sourcing of primary ingots, rolling slabs, alloying elements, and recycled aluminium. Slabs were purchased directly from smelters while ingots were sourced mainly from commodity traders. Indirect materials and services accounted for some 23 per cent (15) of the purchase value, and important categories included transport, utilities and services.

Sourcing activities are mainly managed by the local procurement organization and the supplier base is generally geographically close to the respective markets.

RESPONSIBLE SOURCING

Shared sustainability principles

To ensure that Gränges' suppliers share the company's sustainability principles and commitments, significant suppliers¹⁾ are to commit to and sign Gränges' Supplier Code of Conduct, including the 10 principles of the UN Global Compact.

The Supplier Code of Conduct expresses the sustainability requirements Gränges has on its suppliers, including complying with applicable laws and regulations; avoiding conflicts of interest; having zero-toler-

ance for corruption and bribery; competing fairly; having an open, non-discriminatory and safe workplace; respecting human rights; providing fair working conditions; and running its operations with respect for the environment. By signing, suppliers also declare to promote implementation of these principles in their own supply chain.

If a first-tier supplier does not commit to the Supplier Code of Conduct or has an equivalent standard in place, Gränges first discusses with the supplier and then creates an action plan to make sure that the supplier commits to the sustainability principles.

Supplier assessments

Gränges' regional quality and purchasing teams regularly assess supplier performance to make sure suppliers meet the company's requirements. Supplier assessments focus on evaluating suppliers' quality and delivery performance but also include sustainability criteria such as environment, human rights, labour laws, as well as health and safety.

Gränges' operations in Asia and Europe assess suppliers' sustainability practices before entering into a supplier agreement, and thereafter on a regular basis using tools such as supplier scorecards. Supplier audits are conducted periodically depending on suppliers' strategic importance and supplier performance. During

1) Suppliers with a purchase value above SEK 5 million CNY 5 million or USD 0.5 million.
2) Versus baseline 2017.

“ We are dedicated to reducing Gränges' climate impact from a life-cycle perspective. For 2019 I'm very proud that our operations in Americas has again managed to replace significant volumes of primary aluminium with recycled aluminium, leading to a considerable lower climate impact from our supply chain.”

Torbjörn Sternsjö, SVP Technology & Business Development

2019, 7 (10) supplier audits were conducted, none with significant deviations.

Gränges' operations in Americas assesses critical suppliers' sustainability practices before entering into a supplier agreement, and thereafter perform assessments twice per year. Supplier audits are to be conducted if a supplier is assessed to underperform and does not have sufficient quality management system procedures in place. During the year no such audits were carried out.

Updated responsible sourcing programme

In 2019, Gränges updated its group-wide responsible sourcing programme through which the company aims to identify, follow up, and improve suppliers' sustainability performance and mitigate associated risks. The programme will be implemented from 2020.

As part of this programme, Gränges plans to regularly screen its supplier base and identify potential risk suppliers through evaluating environmental, social and corruption risks in different sectors and countries. Suppliers identified as having potential sustainability risks will be asked to perform a sustainability assessment. Gränges will use the results from this assessment to decide how to manage suppliers through for example on-site visits.

Gränges sees this programme as an opportunity to strengthen the collaboration with suppliers to achieve continuous improvements and build lasting relationships.

RECYCLED ALUMINIUM

Promoting circularity

Gränges' procurement teams continuously coordinate with the production units to

optimize sourcing and use of recycled aluminium as this has a positive effect on both costs and the environment. Metal costs are the largest cost category for Gränges. Recycled aluminium has a high economic value and non-reusable recycled aluminium is often sold externally for a discounted price.

Recycled aluminium saves up to 95 per cent of the energy needed to produce primary aluminium and thereby leads to a significantly lower climate impact. Gränges sources pre-consumer used materials from customers and recycling companies, and reuses recycled aluminium from its own operations. The company also buys post-consumer used materials from recycling companies, further promoting a circular business model. The environmental value of recycling increases downstream in the value chain and end-of-life recycling is a clear positive contributor to the circular aluminium usage.

Designing for increased recycling

For Gränges' operations in Asia and Europe, where a high number of alloys for brazed heat exchanger applications are produced, it can be challenging to find recycled aluminium which fits well in the re-melting process and the specific alloys that are produced. Gränges therefore requires strict sorting of recycled aluminium, both from its own operations as well as from customers and recycling companies.

Gränges' Research & Innovation (R&I) organization works to design alloys which can use a high share of recycled aluminium and which can be recycled after usage. Material for brazed heat exchangers consists of so called clad materials

where different alloys are rolled together, which makes it difficult to separate upon recovery. Brazed heat exchangers are challenging to recycle at end-of-life as the various constituents are difficult to separate and sort.

Customer collaboration

For Gränges' operations in Americas, where more standardized alloy applications are produced that allow for wider composition limits, it is possible to reach a higher share of sourced recycled aluminium. The operations in Americas recycles all volumes of recycled aluminium from its own operations, and has in 2019 also expanded sourcing of recycled aluminium from its customers. The recycled aluminium is returned from customers to Gränges in conjunction with the product delivery, managed by a third party or by Gränges.

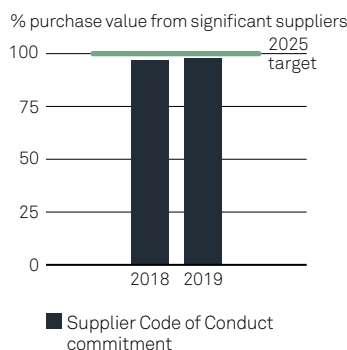
EMISSIONS AND CLIMATE IMPACT

Supply chain climate footprint

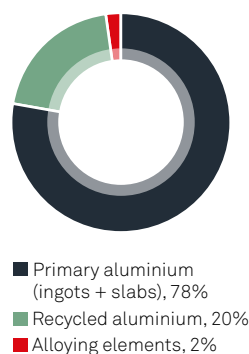
In line with the company's climate strategy, as described on page 22, Gränges works to reduce the climate impact from its supply chain. Carbon emissions from purchased materials mainly come from the production of primary aluminium, which is an energy intensive process.

Gränges strives to more actively choose supplier and input material based on use of renewable energy, climate performance and carbon emissions reduction activities and targets. Gränges also plans to more actively have a dialogue with commodity traders about supplier sustainability management processes and promoting supply chain traceability.

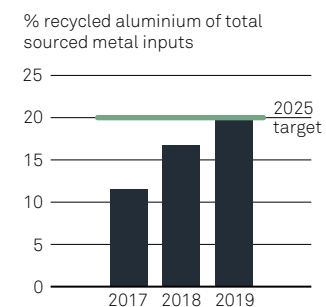
Commitment to Supplier Code of Conduct



Total sourced metal inputs, 2019



Sourced recycled aluminium





SUSTAINABLE OPERATIONS

Efficient management of energy and materials is critical to Gränges as it improves the company's profitability, competitiveness, and environmental performance. Providing a safe work environment is also a top priority as the company strives towards operating an injury-free workplace.

TARGETS 2025

- >> Total Recordable Rate to be < 3.0 recordable accidents per million hours worked.
- >> Severity Rate to be < 50 lost workdays per million hours worked.
- >> Energy intensity to be reduced by 17 per cent.¹⁾
- >> Carbon emissions intensity from own operations and purchased energy to be reduced by 25 per cent.¹⁾
- >> All Gränges sites to have implemented a local water management plan.

1) Versus baseline 2017.

PERFORMANCE 2019

- >> Improved safety performance; Total Recordable Rate reached 4.4 (6.1) and Severity Rate 142 (165).
- >> Energy intensity increased to 3.5 MWh/tonne (3.3), mainly driven by lower production volumes.
- >> Carbon emissions intensity from own operations and purchased energy amounted to 0.82 tonnes CO₂e/tonne (0.76), up by 8 per cent versus 2018 and 1 per cent versus baseline 2017, driven by lower production volumes.
- >> Agreed on the key elements of local water management plans, which will be developed starting in 2020.

ENERGY

Increasing energy efficiency

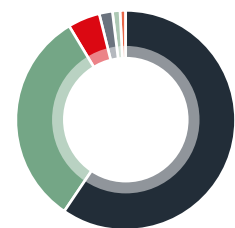
Gränges works actively to reduce the energy consumption in its melting and casting processes to reduce both environmental impacts and costs. Energy costs are the most significant expense after metal and personnel costs.

Gränges primarily consumes energy in its furnaces, where aluminium is re-melted either via direct combustion or via induction. Important energy sources are natural gas, electricity, and liquefied petroleum gas.

To improve energy efficiency, Gränges continually carries out energy audits, implements related improvement actions, and considers the best available technology for new investments. Energy efficiency measures are primarily linked to increased metal yield, improved thermal processes and recovery of waste heat. Gränges also re-melts recycled aluminium from its own production to avoid quality degradation and energy losses involved in transporting recycled aluminium to third parties.

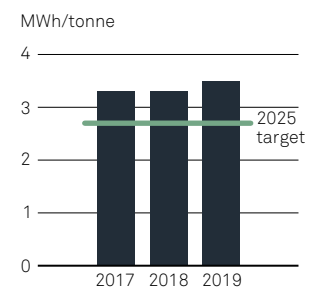
Examples of activities implemented during the year include recuperation of heat from air compressors in the maintenance building in Gränges' operations in Europe, an automation project on annealing furnaces in the operations in Asia resulting in reduced unit energy consumption, and installation of state-of-the-art annealing furnaces with specifically configured air nozzles to improve the heat transfer in the furnaces in the operations in Americas. The operations in Asia was also certified in accordance with the energy management standard ISO 50001.

Energy use by type, 2019

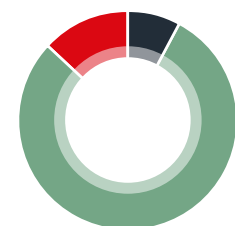


- Natural gas, 62%
- Electricity, 33%
- Liquefied petroleum gas, 4%
- Diesel, 1%
- District heating, 0.3%
- Petrol, 0.01%

Energy intensity



Sourced renewable energy, 2019



- Renewable energy, 8%
- Non-renewable energy, 79%
- Nuclear energy, 13%

“ We have in 2019 achieved an all-time low safety accident rate of 4.4 recordable accidents per million hours worked. I'm very satisfied with our strong behavioural safety programme and employees' relentless focus on keeping the workplace clean and tidy through the 5S system.”

Paul Neutjens, SVP Process Engineering & Operational Development

Promoting renewable energy

Gränges' operations in Europe primarily uses induction melters and sources electricity from low carbon sources (hydro and nuclear) through the deregulated energy market in Sweden. The operations in Americas and Asia use natural gas in their production, and in these regions electricity is sourced from regulated energy markets which currently are primarily based on nuclear and non-renewable energy.

Gränges works to evaluate alternative energy sources and to increase the sourcing and usage of renewable energy, in line with the company's long-term target.

EMISSIONS AND CLIMATE IMPACT

Climate impact from own operations

In line with the company's climate strategy, as described on page 22, Gränges works actively to reduce the climate impact from its own operations. Gränges' emissions to air, in terms of carbon dioxide, nitrogen oxides and particulate matter, come from burning fossil fuels and particularly natural gas and liquefied petroleum gas. Emissions of oil to air and water are linked to the cold rolling operations where oil is used to cool down the mill and lubricate the interface between the rolls and the material.

REDUCING NATURAL GAS CONSUMPTION IN THE ASIA OPERATIONS

Gränges' operations in Asia has managed to reduce costs, increase productivity and achieve a more sustainable production thanks to an improved control of the natural gas flow in the casting process. By changing to a new type of valve on the burner, it has been possible to monitor the process and optimize the natural gas flow. A consistent flow with precise control means less waste and lower energy usage. Also, by adding an alarm which turns on whenever the flame is extinguished in the melting furnace, the uptime and burning performance on the machine has been improved. Since 2016, natural gas consumption has been reduced by 0.4 million m³ per year, slab production has increased by 4,500 tonnes, an annual cost saving of CNY 1.2 million has been achieved. This corresponds to a saving of 970 tonnes CO₂e.

WATER MANAGEMENT

Local water conditions

The main part of Gränges' water use is for cooling purposes, where much of the production equipment requires cooling water for efficient operations and to prevent overheating and production disruptions. The plants in Americas and Asia have closed-loop cooling systems with a high degree of water recirculation, which reduce water consumption and the risk of water contamination. In addition, water is used to make up emulsions in different process steps and for domestic purposes.

In the production site in Huntingdon ground water from the company's own wells is used, whereas municipal water is used in the Salisbury and Newport production sites. Cooling takes place in closed-loop systems using non-contact cooling towers. As the systems are closed-loop, and therefore contain no contaminants, the used water can be discharged to nearby water bodies or to local waste water treatment plants without further treatment. Contaminated water is sent for external treatment.

In Gränges' operations in Asia, municipal tap water is used. Water from the cooling system is re-used in other parts of the production process, for example in the cold rolling mill. Water of insufficient quality is discharged to the local waste water treatment plant, in accordance with the local drainage permit which limits water volumes and types.

In Gränges' operations in Europe, surface water is withdrawn from two nearby lakes. The water is primarily used to cool components and is then released into local waterways. Daily measurements are made to ensure that the released water does not contain hazardous substances.

Water that may contain contaminants is treated by an external partner before being returned to water bodies.

Managing water risks

Gränges' operations are located in areas with various water risks, and water-related aspects are therefore managed based on local circumstances.

In terms of water stress, the production facilities in Finspång and Newport are located in areas with low-to-medium risk, whereas the Huntingdon and Salisbury facilities are in medium-to-high risk areas. The plant in Shanghai is situated in a high-risk area.¹⁾ No water sources are considered to be significantly affected by the water withdrawal or discharge from Gränges' operations.

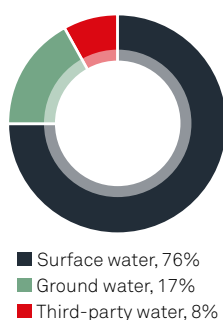
As water-related aspects and risks are managed based on local circumstances, Gränges has set a target to develop and implement local water management plans in all its locations. The ambition is that such a plan should include local targets and actions to address water-related impacts, such as water efficiency improvements, quality of effluent discharge, conservation activities, and local stakeholder engagement.

In 2019, Gränges agreed on the key elements of the local water management plans. Also, an assessment of current status on managing water risks was performed to provide input to the development at each site. In 2020, the company aims to implement such plans in three production facilities.

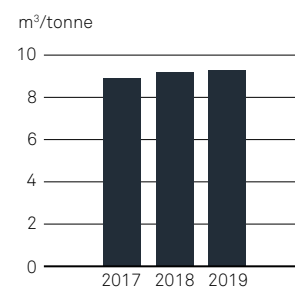
With regards to water risks in the supply chain, the water topic is included in Gränges' new supplier sustainability risk assessment model described on page 25. How suppliers manage water risks will be evaluated as part of sustainability assessments which suppliers will be invited to perform.

1) Based on the Aqueduct Water Risk Atlas developed by the World Resources Institute.

Water withdrawal by source, 2019



Water intensity



WORKPLACE SAFETY

“Safety first”

Gränges strives towards a “safety first” work environment. This means that it is top priority to operate a safe and injury-free workplace which protects the health and fosters the wellbeing of employees and all persons directly or indirectly related to the company’s operations. No individual should be at risk of injury in a Gränges workplace.

Safety targets are set for each plant as part of the business planning cycle, and results are reported monthly. During 2019, there were 17 recordable workplace accidents (23), of which 3 (7) were defined as serious. 10 (14) of the accidents resulted in lost workday cases which led to 548 lost workdays (620). Hand and finger injuries were the most frequent injury type, representing 6 of the 17 recordable cases. For details, read more on page 106.

Safety is integrated into Gränges’ programme for lean operations, “Gränges Production System – GPS”, which is part of the strategy for continuous improvements. Read more on page 15. A 5S system has been implemented in all production facilities to ensure a clean, orderly and safe work environment. The system is used to drive safe behaviours, improve workplace efficiency and eliminate waste.

To underline the importance of “safety first”, senior leaders have committed to participating in at least five 5S floor audits per year, to observe the workplace and raise the safety expectations.

Specific safety hazards

Gränges’ operations entail specific safety hazards which are continually monitored to eliminate or reduce the risks of these hazards causing injuries. Gränges defines the following hazard categories as the “critical five”, which have top priority: fall protection, molten metal, mobile equipment, con-

finned spaces, and machine guarding – lockout and tagout, i.e. ensuring machinery is fully switched off and de-energized before maintenance work begins.

A preventive and risk-based approach

Gränges’ safety strategy is focused on preventing workplace injuries through better understanding how work is performed in relation to hazards and the associated risks.

Job safety analysis is carried out for both repetitive and non-repetitive tasks by using experts and involving the people who do the job. This involves identifying hazards associated with work tasks, assessing the risk of injuries and developing action plans to manage and mitigate these risks. Actions are coordinated and prioritized by management and safety representatives.

All incidents and accidents are registered and classified by employees in local incident reporting systems, and reviewed weekly and monthly. For all recordable accidents as well as for injury-free and first-aid events with severe potential consequence, Gränges performs a root-cause analysis as a basis for corrective and preventive actions.

Gränges also strives to minimize employee exposure to chemicals, and performs chemical risk assessments to ensure employees use alternatives that are safe and environmentally sound.

Safety training

Gränges constantly works to improve health and safety awareness and skills. This includes regular health checks as well as training in machine safety, personal protective equipment, fire safety, first aid, and emergency response. All employees are covered by accident and sickness insurance.

Comprehensive safety training is carried out for all employees at least once a year, and safety courses are regularly pro-

vided for production personnel, management and new employees. Production employees receive specific safety training covering particular aspects such as hand and finger injury prevention. All new employees attend safety training before starting.

Sharing best practice

Gränges actively communicates safety-related information as it is important to spread awareness of incidents to prevent them from happening again.

The company also conducts internal safety assessments every six months at the sites, aiming to share experiences and best practice, and to harmonize work processes. These assessments focus on the “critical five” hazard categories, fire safety and environmental matters. During 2019, the company conducted one assessment at the Shanghai plant and one at Salisbury. All corrective actions from the assessments are incorporated into the location’s improvement plans and reported to the regional safety committee.

To promote better safety, Gränges also collaborates and shares knowledge with other companies through industry associations. Gränges is for example active in the European Aluminium task force for safety.

IMPROVED SAFETY FOR LOADING AND UNLOADING

In 2019, Gränges’ operations in Americas implemented a new formal process to improve safety for truck loading and unloading. Key elements of the new process include to make sure the rear of the trailer is snug against the dock to safely accommodate the dock plate; that the driver must leave the truck and remain visible during the loading and unloading process; that a warning system or indicator light in conjunction with dock locks should be placed in a visible location; and that the trailer is checked for sufficient overhead clearance and has sufficient capacity for the combined weight of lift truck and cargo. Through the new process, the Americas operation has significantly reduced the safety risks associated with the truck loading process.

Total Recordable Rate



Severity Rate





DIVERSE AND HIGH-PERFORMING TEAMS

Competent and committed employees form the foundation on which Gränges can be innovative and competitive, and is therefore a crucial part of the company's business strategy and growth plan. During 2019, Gränges had an average total of 1,805 employees (1,699).

TARGETS 2025

- >> 100 per cent of all employees to receive annual performance and development discussion.
- >> At least 30 per cent of senior management¹⁾ to be women.
- >> Employee engagement index to reach at least 85.

PERFORMANCE 2019

- >> 100 per cent (99) of employees received a performance and development discussion.
- >> 14 per cent (14) women in total workforce, and 20 per cent (20) among senior management.

1) Employees eligible to participate in Gränges' long-term incentive (LTI) programme.



By being an open and inclusive employer, Gränges is dedicated to providing a workplace where all employees have the opportunity to develop and contribute to reach our overall business targets."

Magnus Carlström,
SVP Human Resources

Strong company culture

Gränges works actively to strengthen its corporate culture as this is important for employee engagement and performance. The company's Code of Conduct lays the foundation on how employees should act and conduct business responsibly, both internally and in relation to business partners. The company's core values – committed, action oriented, accessible, and innovative – guide employees on daily actions.

To further encourage employees to act in line with the core values, in 2019 Gränges decided to integrate these as a new evaluation criterion in its performance and development discussion template.

CAREER AND LEADERSHIP DEVELOPMENT

Attracting and retaining employees

Gränges strives to offer good working conditions and interesting career development opportunities to attract, develop and retain talented people. The company runs a structured recruitment process to ensure the company hires competent and skilled employees. In the recruitment process, all else being equal, individuals from under-represented groups are given recruitment priority to promote a diverse workforce.

To ensure employees are engaged and motivated, Gränges conducts annual performance and development discussions as well as compensation reviews. The company's target is that all employees should receive an annual performance and development discussion.

Enhancing employee performance

To develop competencies that enhance both individual and organizational performance, Gränges works to follow up on employees' individual performance and support their aspirations.

As part of the annual performance and development discussion, each employee and their direct manager decide on an individual development plan. In 2019,

80 per cent (77) of Gränges' employees had such a plan. In Gränges' operations in Asia, individual development plans are only required for white-collar employees.

Leadership development

To develop the leadership that is needed, Gränges works actively with training opportunities, talent management and succession planning, as well as strengthening the corporate culture and core values. Leadership training is conducted in line with regional needs and covers both current and potential leaders and talents. Ongoing training activities take place in all regions, in line with local needs.

In 2019, Gränges' operations in Americas initiated a new leadership development programme, in which identified future leaders participated over six working days. External lectures were combined with home assignments and internal workshops. In the operations in Asia, managers participated in mandatory leadership training as part of implementing Gränges' programme for lean operations. The purpose was to go through leadership requirements to drive operational excellence and continuous improvement. Gränges' operations in Europe also conducted mandatory manager training on the physical and psychosocial work environment.

DIVERSITY AND EQUALITY

Promoting diversity and inclusion

Diversity is a competitive advantage and an inclusive work environment which leverages employees' different perspectives, experiences and ideas, will lead to a more innovative, competitive and productive organization. A multifaceted workforce also reflects the international market in which Gränges operates. In line with Gränges' Diversity Policy, no employee should experience discrimination based on gender, age, world view, background, sexual orientation, ethnicity, physical ability, or similar.

Gränges strives to have at least one woman in the final interview round of each recruitment process. In cases where there are few or no women applicants, the recruitment process is expanded to make a broader search.

Regional diversity plans

Gränges manages diversity and equality matters on a regional level. In 2019, the company established regional action plans to increase the share of women in the total workforce and among senior management.

In Gränges' operations in Europe, the company in 2019 continued to conduct employer branding activities with local universities to better understand female students' future job requirements. Also, female safety representatives established a new team at the Finspång plant to improve the work environment for women. The team met regularly to discuss for example ergonomics related to machines, clothes and equipment as well as attitudes and salary levels. The European operations also performed a gender-related disparity pay analysis, which identified a few non-objective gaps which were instantly corrected.

In Gränges' operations in Americas, the company conducted quarterly management conference calls to review the diversity status with regards to applicants, interviews, and new hires. Also, annual training in diversity and inclusion was conducted to increase participants' diversity-related cultural awareness, knowledge, and communication. Gränges' operations in Asia in 2019 initiated an internal female network to encourage sharing experiences and mutual support.

EMPLOYEE WELLBEING

Engaged and healthy employees

Gränges believes that having engaged and healthy employees is a prerequisite for productivity and building high-performing

teams. Mismanagement can lead to significant cost implications both for the employee and the company. To promote employee health and wellbeing, the company has benefits and initiatives such as flexible work options, occupational health care, wellness grants, and support to employees who have recurrent illness.

In 2019, Gränges' operations in Americas offered a financial wellness programme to all employees to improve their understanding of personal finances and ensure financial stability at home and work.

Access to healthcare services

To ensure healthy employees, Gränges offers both occupational and non-occupational health services. Employees and contracted workers have access to first-aid care at the production facilities. Off-site, employees are offered preventive and regular health checks, as well as access to medical care at licensed medical providers in case of occupational injury or illness.

With regards to non-occupational health and medical services, Gränges helps its employees to have access to services such as tobacco and nicotine cessation, dietary advice, stress reduction and mental health. Gränges maintains the confidentiality of all personal health-related information, and keeps medical information and journals in compliance with local legislation.

Employee satisfaction

Gränges regularly follows up on employees' general motivation and wellbeing via the annual performance and development discussion. The company also conducts employee surveys every two years to track status. In 2019, Gränges conducted an employee survey in the operations in Americas, which was unable to participate in the 2018 survey. Total employee satisfaction baseline for Gränges Group, when combining results from 2018 and 2019, was 77.

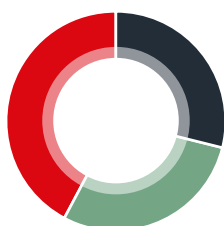


IGE DAY IN FINSPÅNG

In March 2019, Gränges' operations in Europe participated in Introduce a Girl to Engineering Day¹⁾, an event which aims to raise young girls' interest in technology and engineering. Four girls from Linköping, aged 13–19, visited the Finspång production facility where they had a factory tour and saw the different production steps. They also learned about heat exchangers and conducted an experiment on conductivity in materials. At the R&I organization, the girls tried various microscopes and increased their knowledge of metals.

1) The initiative is driven by the organization Womengineer and aims to make sure that in 2030 there will be as many female as male engineers in Sweden.

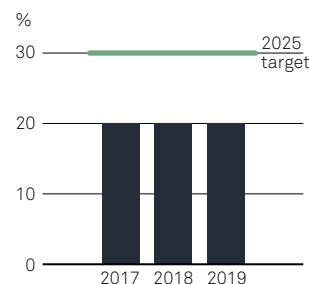
Employees by region, 2019¹⁾



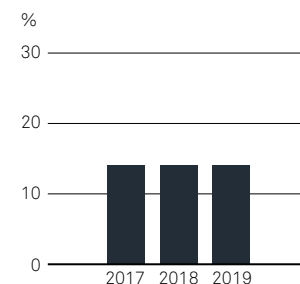
■ Asia, 29%
■ Europe, 29%
■ Americas, 42%

1) Based on full-time positions.

Women in senior management



Women in total workforce





ETHICAL BUSINESS PRACTICES

Gränges is committed to ethically sound business practices and operating in compliance with all applicable laws and regulations. All employees are expected to support the company's values and act responsibly towards each other and business partners.

TARGETS 2025

- >> 100 per cent of all employees to be annually trained in Gränges' Code of Conduct.
- >> 100 per cent of all white-collar employees to be annually trained in anti-corruption.¹⁾

PERFORMANCE 2019

- >> 99 per cent (99) of all employees conducted an online training in Gränges' Code of Conduct.
- >> 100 per cent of all white-collar employees conducted the new online anti-corruption training, based on the updated Anti-Corruption Policy.



Running our operations in line with the highest ethical standards is a business necessity, and I'm very satisfied that we have reached close to 100% training participation in our new online training in Gränges' Code of Conduct and Anti-Corruption Policy."

Niclas Nelson,
General Counsel

ETHICS AND ANTI-CORRUPTION

Conducting business responsibly

Gränges' group-wide Code of Conduct outlines ethical principles and gives guidance to employees on how to act and conduct business responsibly. The Code of Conduct is based on international standards²⁾ on human rights, labour conditions, the environment, and anti-corruption. This includes the UN Global Compact and its 10 principles.

In 2019, Gränges conducted online training in line with the 2025 target on annual Code of Conduct training.

Counteracting corruption

Gränges has zero tolerance for corruption as it prevents economic development, distorts competition, increases costs, and damages confidence and reputation. It is costly for Gränges as a company as well as for individuals, and could lead to imprisonment and fines. The company does not tolerate corruption and will always act rapidly, stringently and vigorously on discovering corruption or unethical behaviour. In 2019, no corruption incidents were detected and no business contracts were breached or not renewed due to corruption.

In 2019, Gränges updated its Anti-Corruption Policy to make it more user-friendly and to improve internal awareness of corruption. The updated policy applies to all employees

and board members, temporary staff, intermediaries, agents, or others acting on behalf of Gränges. The company also developed new online anti-corruption training, in line with its 2025 target on annual training.

Anti-corruption is also one criterion in Gränges' Supplier Code of Conduct, which Gränges' requires all significant suppliers³⁾ to sign. More information can be found on pages 24–25.

Detecting irregularities

To detect irregularities that may seriously harm Gränges' business or employees, Gränges has a Whistleblower function which is managed by an external company and can be accessed online (intranet or external website) or by telephone. This enables employees and external business partners to provide information anonymously and without fear of retaliation. Gränges takes great consideration of the protection of personal privacy and handles submitted information in line with applicable legislation and regulation.

By quickly uncovering and remediating irregularities, Gränges is in a better position to deal with the underlying causes before they become unmanageable. In 2019, there were a few cases reported through the Whistleblower function, all related to internal working conditions and none linked to corruption or bribery.

99%

COMPLETED THE CODE OF
CONDUCT TRAINING, 2019

100%

COMPLETED THE ANTI-
CORRUPTION TRAINING, 2019

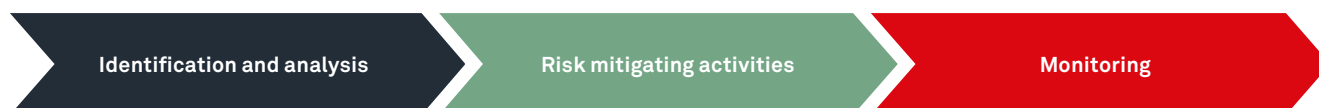
1) Target has been reformulated in 2019 to cover all white-collar employees.

2) UN Global Compact, UN Universal Declaration of Human Rights, Sustainable Development Goals, and the OECD Guidelines for Multinational corporations.

3) Suppliers with a purchase value above SEK 5 million CNY 5 million or USD 0.5 million.

RISK MANAGEMENT

As a group with operations in different parts of the world, Gränges is exposed to various risks and uncertainties. Gränges' risk management process entails to identify, assess and reduce risks related to the Group's business and operations.



Gränges works actively with risk management to monitor and minimize risks in a structured and proactive manner. On a group level, Gränges' risk committee, consisting of Group Management members, identifies and assesses risks within the Group and holds sessions twice a year. Risks are also managed locally as a part of daily operations where key risks are raised to the regional management team and mitigation measures are implemented. Risk reporting systems are in place at the production sites. Gränges maintains adequate insurance coverage in relevant areas.

MARKET RISKS

Market risks are managed and controlled by the corporate functions and by the regions in accordance with established guidelines and procedures.

RISK	RISK DESCRIPTION AND CONSEQUENCE	RISK MITIGATING ACTIVITIES
MACRO ECONOMIC AND MARKET DEVELOPMENT	<p>Macroeconomic conditions, technological transformations and industry dynamics are factors that impact demand for Gränges' products.</p> <p>Light vehicle production is an important driver of Gränges' sales as customers in the automotive industry account for around half of Gränges total sales volume. During an economic downturn, there is normally a decline in vehicles production, which can reduce demand for aluminium products used in vehicles.</p> <p>The electrification of the automotive industry is accelerating and is driving demand for new solutions and components for cooling and heating. Although Gränges is well positioned to benefit from this development there is a risk that other technologies will emerge over time and that Gränges' current and future technology become outdated.</p> <p>Dissatisfied customers can adversely affect the company's profitability and market share and may also pose a reputational risk.</p>	<ul style="list-style-type: none"> • Global presence: Gränges' global presence on three continents balances the shift in demand throughout the economic cycle. • Continuous monitoring: Gränges continuously monitors the development in different markets, and proactively assess external risks and opportunities that may influence the company's strategy and operations. • Diversified portfolio: A more diversified product portfolio reduces Gränges' cyclical and reduces the company's dependence on the automotive industry. • Research and innovation: Extensive R&I enables Gränges to continue to develop advanced materials and solutions to meet new demands. • Customer collaboration: Gränges works closely with customers in product development for future applications to ensure a continued high quality and adherence to customer requirements. • Global customer satisfaction surveys: Gränges conducts global customer satisfaction surveys to track customers' perceptions of the company and its products.
SUPPLY CHAIN	<p>Supply chain risks mainly relate to social, environmental and ethical risks in Gränges' supply chain. Mismanagement of these risks may lead to undesirable effects on the supply of input materials for Gränges. It can also lead to reputational losses.</p> <p>Social supply chain risks and human rights violations are mainly related to indigenous rights in the extraction, mining and smelting activities. Extractive activities also carry a risk of forced and child labour, although there are few reports of this in aluminium mining. Health and safety risks are present throughout the value chain.</p> <p>Environmental supply chain risks mainly occur in mining activities where there are risks related to water consumption, leakage, noise from heavy vehicles, air emissions, and significant alterations to the landscape due to open-pit mines. It can also contribute to biodiversity loss, increased carbon emissions, and soil erosion. Further, refining and smelting activities are very energy- and water-intensive processes and much of the energy comes from hydroelectricity which is a renewable source but has other environmental impacts.</p> <p>Corruption risks are mainly linked to mining approvals, regardless of the country's level of economic development or political system. A few countries in Gränges' supply chain are deemed to have a higher risk for corruption, according to Transparency International's Corruption Perceptions Index for 2019.</p>	<ul style="list-style-type: none"> • Supplier Code of Conduct: Gränges has a Supplier Code of Conduct which all significant suppliers are requested to sign. The intention is to increase awareness and improve transparency of responsible and sustainable business practices in Gränges' supply chain. By signing, suppliers declare to observe all applicable laws and regulations, including the ten principles of the UN Global Compact, and to promote the implementation of these principles in their own supply chains. • Supplier assessments: Gränges periodically assesses supply chain sustainability performance and risks and makes sure that suppliers adhere to the Supplier Code of Conduct. The purchasing teams use different tools for such assessments, including supplier score cards and site visits at suppliers. • Updated responsible sourcing programme: Gränges has during 2019 updated its group-wide responsible sourcing programme which will be implemented starting from 2020. The company plans to regularly screen its supplier base and identify potential risk suppliers through evaluating suppliers' environmental, social, and corruption risks in different sectors and countries. Suppliers assessed as having potential sustainability risks will be invited to perform a sustainability assessment. Gränges will use the results from the assessment to decide how to manage suppliers and improve supplier performance through for example on-site workplace audits.

CONT. MARKET RISKS

RISK	RISK DESCRIPTION AND CONSEQUENCE	RISK MITIGATING ACTIVITIES
ENERGY PRICES	Energy price risks relate largely to changes in energy prices that can adversely affect Gränges' operating profit. Gränges is mainly exposed to price changes in electricity and natural gas, but the price of other energy commodities may also affect Gränges' operating profit directly and indirectly. Long term changes to market prices will eventually affect Gränges' operating profit if changes are not automatically transferred to the customers.	<ul style="list-style-type: none"> • Hedging and delivery agreements: Gränges uses hedging and delivery agreements to secure future energy prices and supply. Financial hedges and physical fixed-price contracts may be used up to two years before delivery.
POLITICAL	Political risks relate mainly to changes in trade legislation or sanctions against individual countries or organizations where Gränges or its supply chain has operations or market activities. Gränges' production sites are located in Sweden, China, and the US, and its customers are located in around 40 countries. Markets and operations are affected by the political and economic environments within and between these countries. Political risks affect Gränges' ability to meet the demands of its customers.	<ul style="list-style-type: none"> • Continuous monitoring: Gränges closely monitors political risks, particularly regarding legislation for cross-border trade. • Flexible production set-up: Gränges has production sites on three continents which implies a flexibility to transfer production and re-route supply flows should political changes have a negative impact on the current setup.

OPERATIONAL RISKS

Operational risks are managed and controlled by the corporate functions and by the regions in accordance with established guidelines and procedures.

RISK	RISK DESCRIPTION AND CONSEQUENCE	RISK MITIGATING ACTIVITIES
PRODUCTION DISRUPTION	<p>Production disruption risks are connected to sufficient input materials which Gränges is dependent on, mainly primary aluminium but also recycled aluminium, alloying elements and indirect materials. Insufficient supply would imply that Gränges cannot produce certain products.</p> <p>Production risks are also connected to critical machine breakdowns or calamities such as a fire, which could damage equipment.</p>	<ul style="list-style-type: none"> • Supplier agreements: Gränges has agreements with suppliers in each market to ensure deliveries based on estimated volumes. • Own production: Gränges has own cast houses in the production facilities which makes the company less sensitive to supply issues regarding for example aluminium slabs. • Maintenance plans and machinery: Gränges has maintenance plans to manage critical machinery. The company also ensures access to spare parts and service staff to continually maintain critical machinery. Furthermore, Gränges has invested in state-of-the-art fire protection systems and customary insurance policies.
QUALITY AND EFFICIENCY	Quality and efficiency risks are mainly connected to defective products and insufficient process stability, and are often due to unplanned stoppages at production plants.	<ul style="list-style-type: none"> • Operational excellence programmes: Gränges ensures high-quality products and efficient production processes through its programmes for lean operations. Read more on pages 15 and 28.
ENVIRONMENT AND CLIMATE	<p>Environmental risks are mainly related to emissions to water, soil and air or releases of environmentally hazardous substances resulting from incidents and accidents in Gränges' production facilities, such as fire, oil spill, or leak of hazardous substances.</p> <p>Emissions to air, in terms of carbon dioxide, nitrogen oxides and particulate matter, come from burning fossil fuels and particularly natural gas and liquefied petroleum gas. Emissions of oil are linked to cold rolling operations in which oil is used to cool down the mill and lubricate the interface between the rolls and the material. Such events may have financial, nonfinancial, as well as regulatory repercussions.</p> <p>In line with the Aqueeduct Water Risk Atlas developed by the World Resources Institute, Gränges' operations are located in areas with various water risks. The production sites in Finspång and Newport are situated in areas with low-to-medium risk, whereas the Huntingdon and Salisbury facilities are in medium-to-high risk areas. The plant in Shanghai is situated in a high-risk area.</p> <p>Mismanagement of water risks can lead to water shortage and/or bad water quality; however, no water source is considered to be significantly affected by the water withdrawal or discharge from Gränges' operations.</p>	<ul style="list-style-type: none"> • Daily monitoring and management: Gränges monitors and manages emissions to air as part of the daily operations. Compliance is a prerequisite for Gränges' continued licence to operate. Local authorities continually monitor compliance to ensure that emissions of nitrogen oxides, sulphur dioxide, particulate matter, volatile organic compounds (VOC) and, in some regions, oil emissions, are within limits. • Incident reporting: Gränges' employees can report environmental risk observations in site-specific incident management systems. Risks are managed in accordance with standardized routines and integrated as a part of daily operations. Key risks are raised to the regional management team and mitigation activities are implemented accordingly. Measures to mitigate environmental risks are also integrated in investment and maintenance routines. Gränges takes a precautionary approach to environmental risks. • Environmental management certifications: Gränges aims to have all its sites certified in accordance with ISO 14001 (environmental management) and ISO 50001 (energy management) certification standards. The sites in Europe and Asia are certified against both standards. The sites in Americas are preparing for both certifications. • Local water management plans: Gränges has set a 2025 target to develop and implement local water management plans in all its sites and has in 2019 agreed on the key elements of such a plan. In short, the plans will include local targets and actions to address water-related impacts.

CONT. OPERATIONAL RISKS

RISK	RISK DESCRIPTION AND CONSEQUENCE	RISK MITIGATING ACTIVITIES
HEALTH AND SAFETY	<p>Health and safety risks mainly relate to incidents or accidents in the cast house or rolling mills, which can cause damage on fingers, hands, feet and legs. Another risk is exposure to chemicals, which can be hazardous to employees' health. There is also a risk of fire which can lead to explosion or breakdown in a production facility.</p> <p>Employees and other individuals may be injured if the implementation of safety procedures is unsuccessful or inefficient. Unsafe workplaces can also lead to increased employee turnover as well as higher operating costs and production interruptions, which in turn could result in increased costs for Gränges. Safety and health incidents can also lead to reputational damages for the company.</p>	<ul style="list-style-type: none"> • Daily monitoring and management: Gränges has strict safety routines in place and continuously invests in safety measures to prevent and mitigate workplace accidents and injuries. • Incident reporting: Gränges focuses on preventing workplace injuries and ensuring safe behaviour. Job safety analysis is carried out and all incidents and accidents are registered and classified in incident reporting systems. A 5S system has been implemented in all sites to ensure a lean, orderly and safe work environment. • Global EHS Policy: Gränges has a group-wide EHS Policy which all employees and contracted workers are required to follow. The policy includes clear principles related to occupational safety and health. • Safety certifications: Gränges aims to have all its sites certified in accordance with the OHSAS 18001 or ISO 45001 safety management standards. The site in Asia is certified against OHSAS 18001 and the sites in Americas and Europe are preparing for ISO 45001 certifications. • Safety training: Gränges arranges safety training for all employees at least once a year. Targeted safety training is also carried out for specific safety aspects. • Best practice sharing: Gränges shares safety experiences and best practice through internal cross assessments, safety meetings and intranet communication. The company also shares information with external companies through industry associations.
EMPLOYEES	<p>Employee risks are mainly related to lack of access to and difficulty to attract and retain qualified and skilled employees, which is critical for Gränges to achieve the company's strategic and operational objectives. There are also risks relating to not having a diverse workforce as this is a prerequisite for a productive and innovative organization. Gränges operates in a traditional industry in non-central locations, which can lead to recruitment related challenges.</p> <p>Losing key employees or not attracting skilled employees or a lack of diverse workforce can negatively affect Gränges' possibilities of conducting and developing its operations, and its ability to develop new products. It can also lead to significant cost implications.</p>	<ul style="list-style-type: none"> • Attractive workplace: Gränges strives to offer good working conditions and interesting career development opportunities to attract, develop and retain qualified employees. The company runs a structured recruitment process to ensure the company hires competent and skilled employees. • Leadership development: Gränges conducts regular performance and development discussions to ensure motivated and engaged employees. The company also works actively with training opportunities, talent management and succession planning as well as strengthening the corporate culture and core values. • Regional diversity plans: Gränges supports an inclusive work environment which leverages employees' different perspectives, experiences and ideas. In the recruitment process, all else being equal, individuals from underrepresented groups are given recruitment priority. Gränges regularly trains its employees on the importance of inclusion and having a diversified workplace. • Health and wellbeing initiatives: Gränges offers its employees occupational and non-occupational health services. Examples include access to occupational health care, regular health checks and access to medical care at licensed medical providers.
ETHICAL	<p>Operating in a global business environment can sometimes be challenging as complex market conditions can lead to situations where employees are uncertain how to act. Risk of corruption and bribery exists in many markets where Gränges conducts business.</p> <p>Corruption can prevent economic development, distort competition, lead to increased costs and destroy confidence, reputation and brand. For Gränges as a company, corrupt activities can lead to costly penalties and government-ordered compliance costs as result of corruption allegations. The company may also be prohibited from doing business in certain countries or industries, with certain governments or from participating in public tenders.</p> <p>Corruption can also lead to increased costs for the individual who is involved in acts of corruption, for example civil and criminal liability. Corrupt activities are punished severely by the court, and individuals who are found guilty of violating the law may become liable to fines and imprisonment.</p>	<ul style="list-style-type: none"> • UN Global Compact membership: Gränges supports international standards on human rights, labour conditions, the environment and anti-corruption, including but not limited to the UN Global Compact and its set of ten principles. Gränges has been a member of UN Global Compact since 2016. • Responsible business practices: Gränges is committed to operating in accordance with responsible, ethical and sound business principles, and in compliance with all applicable laws and regulations. The company will always act rapidly, stringently and vigorously upon discovering corruption or other unethical behaviour. • Code of Conduct: Gränges has a group-wide Code of Conduct which employees and board members, as well as temporary staff, must follow. The company has a target that all of its employees annually should conduct training in the Code of Conduct. • Anti-Corruption Policy: Gränges also has a group-wide Anti-Corruption Policy which all Gränges' employees and board members must adhere to. These individuals must also take reasonable steps to ensure that Gränges' independent business partners, including suppliers, customers, and joint-venture partners, do not engage in corruption or other illegal or unethical activities related to their business with Gränges. The company has a target that all of its white-collar employees annually should conduct training in anti-corruption. • Whistleblower function: Gränges has a Whistleblower function which is managed by an external company and can be accessed online or via telephone. Through the function, employees and external business partners can report irregularities or concerns of misconduct anonymously.
COMPLIANCE AND LEGISLATION	<p>Gränges operates in many different markets, with local laws and rules. Failure to keep abreast of legislative and regulatory requirements may cause financial liabilities or even loss of permits. If employees or individuals who work on Gränges' behalf violate laws and rules, it could have negative consequences for Gränges.</p> <p>The company may be affected by events that damage confidence in the company, its operations, or employees, for example if environmental, quality, or ethical requirements are not met in the manner prescribed by Gränges.</p>	<ul style="list-style-type: none"> • Continuous monitoring and management: Gränges continually monitors legislative and regulatory developments through external partners, and through membership in various industrial organizations. The company observes all applicable local and international laws and regulations. • Communication and training: Gränges regularly informs its employees of relevant changes that the company must follow. The company also trains relevant employees to ensure good knowledge and understanding of legal risks and requirements.

CONT. OPERATIONAL RISKS

RISK	RISK DESCRIPTION AND CONSEQUENCE	RISK MITIGATING ACTIVITIES
IT SECURITY	<p>These risks relate to disturbances in critical IT systems, business processes or other digital infrastructure. Such disruptions can have a direct impact on production and other important business processes and could lead to inability to deliver products or services in time to customers or other stakeholders. This can in turn lead to financial and reputational losses. Errors in the handling of financial systems can affect the company's financial reporting.</p> <p>The risk of unauthorized intrusion into Gränges' systems may result in financial losses and other damage. These risks grow in an increasingly technically complex and interlinked world. Failure to adequately restrict access to information may result in unauthorized knowledge or use of confidential information.</p>	<ul style="list-style-type: none"> • IT security management: Gränges has implemented processes to handle IT security and to mitigate risks related to incidents. These processes are continuously improved according to the latest best practice. The IT environment is proactively monitored and abnormal patterns are acted upon. • Regular audits: Gränges conducts yearly audits to identify IT security risks, covering internal and external perspectives. These risks are raised to Group management and mitigation activities are implemented accordingly. • Information Security Policy: Gränges has an established Group Information Security Policy which all employees, including contractors and board members, must adhere to. • Communication and training: Gränges regularly informs and trains its employees to create information and cyber security awareness and understanding.

FINANCIAL RISKS

Financial risks are managed in accordance with Gränges' Financial Management Policy. Gränges uses derivatives and other financial instruments to reduce financial risks.

RISK	RISK DESCRIPTION AND CONSEQUENCE	RISK MITIGATING ACTIVITIES
CURRENCY	<p>Currency risks are related to the fact that Gränges' Group sales primarily are generated outside of Sweden. Sales contracts are mainly denoted in USD, EUR and CNY, depending on where the customers are located. Changes in foreign exchange rates have an impact on Gränges' income statement, balance sheets, and cash flow.</p> <p>Over time, changes in foreign exchange rates may also affect the company's long-term competitiveness and earning capacity.</p>	<ul style="list-style-type: none"> • Financial Management Policy: Gränges has a Financial Management Policy which regulates the company's management of foreign exchange risk. • Financial instruments: Gränges uses financial instruments, mostly forwards, to reduce the company's exposure to changes in foreign exchange rates regarding its commercial cash flows. Changes in exchange rates for firm commitments are managed in accordance with a model whereby the exposure with a duration of up to 18 months is hedged. Exposures relating to customer orders without firm commitments are partly hedged up to 24 months.
COMMODITY PRICE	<p>Commodity price risks are connected to Gränges procuring large volumes of aluminium for the company's production facilities in Sweden, China and the US. The price of aluminium is based on the trade price on the LME in London or SHFE in Shanghai. Gränges' revenue model means that the cost of aluminium is passed on to the customer, through agreements with customers and suppliers. There usually is a lag between the aluminium procurement date and the pricing of the finished product, which means that Gränges could be exposed to fluctuations in the price of aluminium. If the metal price risk is not handled, fluctuations in the metal price could lead to losses.</p>	<ul style="list-style-type: none"> • Metal Management Policy: Gränges has a Metal Management Policy which regulates the company's management of commodity price risk. The goal is to balance the short and long position so that the company is not affected by changes in the price of aluminium. • Financial instruments: Gränges uses financial instruments to manage the commodity price risk which can arise if there is a lag between the aluminium procurement date and the sale of the finished product. Gränges takes no positions for speculative purposes.
INTEREST RATE	<p>Gränges' interest rate risk is mainly related to the Group's interest-bearing liabilities. The actual interest rate risk depends on the total size of the interest-bearing debt. Changes in interest rates may affect the Group's results and cash flow and/or the fair value of financial assets and liabilities.</p>	<ul style="list-style-type: none"> • Floating interest rates: Gränges' borrowings are mainly in SEK and USD at floating interest rates. • Duration of the interest-bearing debt portfolio: Gränges can adjust the duration of the interest-bearing debt portfolio by longer interest periods or by interest rate swaps. The target for the duration of the interest-bearing debt portfolio is regulated in the Financial Management Policy. In 2019, no interest rate swaps were used to prolong the duration.
LIQUIDITY	<p>Liquidity risk is related to the ability for Gränges to meet its payment obligations. Cash flow from operations, which is affected by changes in working capital among other factors, is managed at group level. The liquidity risk is affected by for example Gränges' future commitments, available cash and available credit lines.</p>	<ul style="list-style-type: none"> • Liquidity forecasts: Gränges forecast future payments and obligations for the next twelve months against incoming cash flows and available credit facilities, including a strategic reserve. Excess liquidity is managed by the Group's treasury function. • Financial Management Policy: Gränges has a Financial Management Policy which regulates a minimum level for available liquidity, including committed credit facilities from banks.
CREDIT	<p>Credit risks are related to a counterparty not meeting its financial obligations towards Gränges. A credit risk can be related to for example trade receivables or financial counterparties.</p>	<ul style="list-style-type: none"> • Continuous follow-up: Gränges' trade receivable exposure is managed and followed up continually in local credit committees. The need for provisions is tested every quarter, or when necessary, according to predefined criteria. • Credit ratings and agreements: Gränges manages credit risk on financial counterparties by choosing counterparties with a good credit rating, by limiting the actual exposure per counterparty, and by agreements such as ISDA agreements.

THE GRÄNGES SHARE

The Gränges share was listed on Nasdaq Stockholm in the Mid Cap segment in October 2014. The share is included in the Automobile & Parts category and traded under the ticker GRNG.

103%

is the total return that the shareholders received since the IPO in 2014 until the end of February 2020.

Since the listing of the Gränges share in October 2014 until the end of February 2020, the share has risen by 77 per cent. During the same period, shareholders have received a total return of 103 per cent, including the reinvestment of the annual dividends. At the end of 2019, the share price was SEK 98.95, representing a market capitalization of almost SEK 7.5 billion. The share's highest price in 2019 was recorded on 18 April at SEK 108.10, and the lowest price was SEK 76.25 on 3 January. The share price increased by 18.65 per cent during the year. The average daily turnover was 167,244 shares (249,431) and the total turnover of shares during the year was approximately 42 million (62).

Share capital and ownership

The share capital in Gränges amounts to SEK 101 million, distributed among 75,517,386 shares, each with a quota value of SEK 1.339775. Gränges has only one class of shares. On 31 December 2019, the number of shareholders totalled 8,371 (8,368). The largest shareholder, The Fourth Swedish National Pension Fund (AP4), held 9.5 per cent of the total number of shares, followed by AFA Insurance with 9.1 per cent,

and Swedbank Robur investment funds with 6.6 per cent. Overall, the holdings of the 10 largest shareholders amounted to 51.9 per cent of the total number of shares. There are no pre-emption clauses, refusal clauses or other restrictions to the transfer of shares in the company by law, the company's articles of association or any other document to which the company is a party.

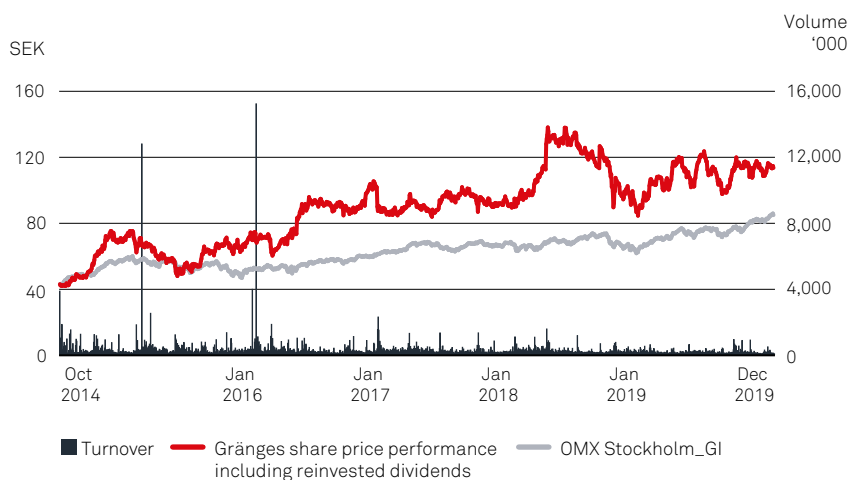
Dividend

Gränges' Board of Directors proposes a dividend of SEK 3.40 (3.20) per share for the 2019 fiscal year, in total SEK 257 million (242). The proposed dividend corresponds to 43 per cent (35) of the profit for the year 2019. Gränges' Dividend Policy is to pay a dividend of between 30 and 50 per cent of the profit for the year. When determining the dividends, the Board of Directors considers the company's financial position, cash flow and outlook.

Gränges gets top score in investor relations ranking

At IR Nordic Market 2019, Gränges was ranked fifth best listed company in Sweden and CFO Oskar Hellström was ranked second best CFO.

Total shareholder return, 2014–2019



Share capital development

Date	Event	Change in number of shares	Total number of shares	Change in share capital, SEK	Total share capital, SEK
1 Jan 2014		–	37,319,693	–	932,992,325
14 Aug 2014	Decrease in share capital	–	37,319,693	–832,992,325	100,000,000
15 Sep 2014	Share split	37,319,693	74,639,386	–	100,000,000
18 Nov 2016	Rights issue	516,000	75,155,386	691,324	100,691,324
4 Apr 2017	Rights issue	20,000	75,175,386	26,796	100,718,120
31 May 2017	Rights issue	337,000	75,512,386	451,504	101,169,624
6 Dec 2017	Rights issue	5,000	75,517,386	6,699	101,176,323

Share information

Market	Nasdaq Stockholm
Segment	Mid Cap Stockholm
Ticker symbol	GRNG
ISIN code	SE0006288015
Listed since	10 October 2014
Currency	SEK
Number of shares	75,517,386

Share data

	2019	2018
Earnings, SEK ¹⁾	7.95	9.11
Equity, SEK ¹⁾	57.13	51.29
Cash flow from operating activities, SEK ¹⁾	19.08	17.89
Share price at end of period, SEK	98.95	80.50
Dividend, SEK	3.40 ²⁾	3.20
Dividend rate, %	43	35
Dividend yield, %	3.44	3.89

1) Calculated on weighted outstanding ordinary shares, diluted.

2) The Board of Director's proposal to the AGM 2020.

Ownership

Largest shareholders	Shares	Share of capital and votes, %
Fourth Swedish National Pension Fund	7,155,679	9.5
AFA Insurance	6,892,585	9.1
Swedbank Robur Funds	4,950,360	6.6
Franklin Templeton	3,845,833	5.1
Handelsbanken Funds	3,728,041	4.9
Dimensional Fund Advisors	3,234,948	4.3
Paradice Investment Management	3,164,438	4.2
Allianz Global Investors	2,645,597	3.5
Unionen	1,850,000	2.4
Fidelity Investments (FMR)	1,741,031	2.3
Total 10 largest shareholders	39,208,512	51.9
Other shareholders	36,308,874	48.1
Total	75,517,386	100.0

Source: Monitor by Modular Finance AB as of 2019-12-31. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen). The verification date may vary for foreign shareholders.

Geographical distribution

Country	Number of known shareholders	Share of capital, %
Sweden	8,084	51.6
United States	57	26.5
Australia	4	4.3
Germany	10	3.7
Switzerland	11	1.2
Total other	205	3.2
Anonymous	n/a	9.4

Source: Monitor by Modular Finance as of 2019-12-31.

Share distribution

Number of shares	Number of known shareholders	Share of capital, %
1–500	6,057	1.4
501–1,000	1,068	1.2
1,001–5,000	937	2.9
5,001–10,000	128	1.3
10,001–50,000	99	2.8
50,001–100,000	22	2.4
100,001–	60	78.7
Anonymous	n/a	9.4

Source: Monitor by Modular Finance as of 2019-12-31.

For additional investor relations-related questions, please contact:
Johan Dufvenmark, VP Group Treasury & Investor Relations:
johan.dufvenmark@granges.com, +46 705 97 43 75, or
Lily Sun, IR-coordinator: lily.sun@granges.com, +46 708 24 43 94.

BOARD OF DIRECTORS' REPORT

The Board of Directors and the Chief Executive Officer of Gränges AB (publ), corporate registration number 556001-6122, hereby submit the annual accounts and consolidated accounts for the financial year 1 January–31 December 2019.

OPERATIONS

Gränges is a leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. The company develops and produces advanced aluminium materials that enhance the efficiency in the customer manufacturing process, as well as the performance of the end-customers' products. The company has long-term customer relationships with global suppliers and in 2019, the company's ten largest customers accounted for 53 per cent of the net sales.

Gränges' geographical markets are Asia, Europe and the Americas and the end customers are primarily in the automotive industry, the HVAC industry, and industries such as transformers and food packaging.

Gränges has five production facilities with a combined annual production capacity of 460 ktonnes. The facilities are located in Shanghai in China, Finspång in Sweden, as well as in Huntingdon (Tennessee), Salisbury (North Carolina), and Newport (Arkansas) in the US.

Gränges works actively to establish new capacity and capabilities to meet increasing demand, address new end-customer markets and improve operational efficiency. During the year 60 ktonnes of new capacity was added by expanding the production plant in Huntingdon and restarting production at the Newport plant. In Europe, Gränges are currently running an investment programme to increase efficiency and capacity in the Finspång facility. The investment will add 20 ktonnes in capacity until 2021.

Gränges holds 51 per cent of the shares in the production company Getek GmbH, which produces aluminium billets using advanced spray-forming technology. Gränges also owns 50 per cent of a Shanghai-based company, engaged in metal stamping.

On 27 November 2019, Gränges signed an agreement to acquire a production facility, Aluminium Konin, in Poland. The transaction is subject to regulatory approval by the relevant competition authorities.

The Group's parent company, Gränges AB, is a Swedish publicly listed company with its head office on Linnégatan 18, Stockholm.

The Gränges share is listed on Nasdaq Stockholm in the Mid Cap segment.

Market development

About half of the Group's sales volume refers to sales to the automotive industry, while HVAC and other niche markets account for about one quarter each.

Light vehicle production is an important macro driver of Gränges' sales of heat exchanger materials to the automotive industry. An increasing share of hybrid vehicles, electric vehicles and advanced features such as autonomous driving is also positive for the demand of heat exchanger materials.

The global production of light vehicles decreased by 5.6 per cent in 2019 compared with 2018, according to the international research and analysis firm, IHS¹⁾. The production of light vehicles in Asia decreased by 6.2 per cent in 2019 and in China the decrease isolated was 8.1 per cent. In both Europe and Americas the production of light vehicles decreased by 4.0 per cent.

With regards to sales to the HVAC industry, Americas is the Group's most important market and US shipments of HVAC units is a key driver of Gränges' sales. The growth in this market is partly driven by energy efficiency requirements as well as construction of new houses and buildings. According to the North American trade association AHRI²⁾, US shipments of HVAC units increased by 2 per cent in 2019 compared to 2018.

Outlook

The global automotive market is expected to decline in 2020 compared with 2019 and IHS estimates a decline in light vehicle production by 2 per cent for the full year. Gränges considers that the outbreak of the coronavirus covid-19 in the beginning of the year will have a further negative impact on the light vehicle production in 2020.

During 2020, Gränges will continue to work actively with innovation, efficiency improvements, and develop its sustainable customer offering even more, which includes an increased focus on product development for electric vehicles. Demand for advanced heat exchanger materials for electric vehicles is expected to increase significantly in the coming years, as more car manufacturers choose liquid cooling solutions for batteries. With a strong commitment to constantly improve and develop, Gränges is well positioned to deliver sustainable and profitable growth throughout economic cycles.

Sales

During 2019, Gränges' sales volume decreased by 7.4 per cent to 347.3 ktonnes (375.0) compared to previous year. Net sales reached SEK 11,978 million (12,910) and the net effect of changes in foreign exchange rates was positive and amounted to SEK 812 million.

Asia

During 2019, sales volume in Asia decreased to 79.0 ktonnes (86.2), which represents a decrease of 8.4 per cent compared to previous year.

Europe

In 2019, sales volume in Europe reached 58.3 ktonnes (65.4), which represents a decrease of 11.0 per cent compared to previous year.

Americas

During 2019, sales volume in Americas decreased to 210.1 ktonnes (223.3) compared to previous year.

Operating profit

During 2019, operating profit was SEK 836 million (940), while operating margin reached 7.0 per cent (7.3). The decreased operating profit was mainly due to lower sales volume and less efficient metal management. Efficiency measures, including a general savings programme and capacity adjustments, helped to reduce the cost base especially by the end of the year. The net effect of changes in foreign exchange rates was positive and amounted to SEK 110 million during the year. Items affecting comparability is included with SEK –30 million (–64), see Note 12 for further information.

Profit for the period and earnings per share

Profit before taxes amounted to SEK 686 million (849) in 2019. Finance income and costs was SEK –152 million (–113) and includes interest expenses of SEK 160 million and interest income of SEK 7 million. Interest expenses and financing cost in the period includes interest expenses on lease liabilities of SEK 12 million (–) due to the implemen-

1) Source: IHS, 18 February, 2020.

2) Source: AHRI, 10 January 2020.

tation of IFRS 16 Leases. Income tax for the year was SEK –86 million (–161). Excluding a positive effect of SEK 54 million (55) relating to a release of a provision for income tax in China and the cost for withholding tax on dividend of SEK 17 million (26), the effective tax rate was 18 per cent (22). The reduced effective tax rate in 2019 is mainly due to a lower corporate income tax rate in China due to preliminary high-tech enterprise classification, see Note 15 for further information. The profit for the period amounted to SEK 600 million (688) and diluted earnings per share was SEK 7.95 (9.11).

Cash flow

During 2019, cash flow from operating activities increased to SEK 1,441 million (1,351). Cash flow from investing activities amounted to SEK –1,590 million (–819) and fully relates to capital expenditure. Of this, SEK 393 million refer to maintenance investments, SEK 1,103 million relates to expansion investments, and SEK 93 million relates to acquisition of utilities infrastructure in Finspång, Sweden.

Cash flow before financing activities adjusted for expansion investments and acquisitions increased to SEK 1,048 million (977). Cash flow from financing activities was SEK 440 million (–825) and includes a dividend payment of SEK –242 million, new loans of SEK 5,546 million and repayment of loans of SEK –4,727 million.

Cash and cash equivalents amounted to SEK 747 million at 31 December 2019 (SEK 457 million at 31 December 2018).

Financial position

Gränges' total assets amounted to SEK 10,480 million at 31 December 2019 (SEK 8,773 million at 31 December 2018). The equity to assets ratio was 41.2 per cent at 31 December 2019 (44.2 per cent at 31 December 2018). Consolidated net debt including pension and lease liabilities was SEK 3,465 million at 31 December 2019 (SEK 2,494 million at 31 December 2018). The increase in net debt is mainly due to investments related to the expansion of the production facilities in the US and Sweden. At 31 December 2019, the Group's net debt corresponded to 2.6 times adjusted EBITDA (1.8 times at 31 December 2018).

In conjunction with the transaction to acquire Aluminium Konin, in Poland, Gränges intends to undertake a rights issue with preferential rights for existing shareholders to a total amount of approximately SEK 2 billion.

Seasonal variations

Gränges' end-customer markets consist primarily of the global automotive industry and the HVAC industry in North America. Gränges' sales of rolled aluminium products to the automotive industry is mainly correlated with the production of light vehicles. Demand on the HVAC market is driven by factors such as construction investments, new regulations for energy efficiency and climate impact, and it is usually higher during summer months as there is a higher demand for cooling systems then. Major annual maintenance work in Gränges' production facilities mainly occurs in the fourth quarter. Overall, seasonal variations mean that the fourth quarter usually is the weakest and the second quarter is the strongest.

Employees

The average number of employees was 1,805 (1,699) during 2019. The increase in number of employees is mainly related to the expansion of the US production facilities.

Research and development

With a strong expertise in material properties and characteristics, Gränges conducts strategic research and innovation as well as customer-driven product development. Gränges' strong product offering is the result of advanced knowledge of metallurgy and production processes as well as long-term commitment to research and development.

The total expenses for research and development amounted to SEK 108 million (93) during 2019.

Sustainability

Sustainability is an integral part of Gränges' business and plays a central role in the Group's growth and value creation. In 2019 Gränges raised its ambitions for sustainability, and continued to implement the global sustainability framework across the operations and align the regional strategies with the global long-term sustainability targets. At the beginning of the year, Gränges became a member of the Aluminium Stewardship Initiative (ASI), and a few months later, the Shanghai plant received the ASI Performance Standard certification. During the year, Gränges continued to support the principles of the UN Global Compact and contributed to fulfilling the Sustainable Development Goals and the Agenda 2030.

Gränges' 2019 sustainability report has been prepared in accordance with the Annual Reports Act on sustainability reporting as well as GRI Standards: Core option. It also constitutes Gränges' Communication on Progress in line with the UN Global Compact guidelines. The statutory Sustainability Report according to the Swedish Annual Accounts Act is found on pages 19–31, 39 and 97–111.

Parent company

Gränges AB is the parent company of the Gränges Group. The operations include Group Management and Group functions such as treasury, legal and communications. For 2019, net sales in the parent company was SEK 187 million (203) and the result for the period was SEK 335 million (560). The net profit includes dividend from the Chinese subsidiary of SEK 335 million (517). Income tax includes withholding tax of SEK –17 million (–26) relating to the dividend.

The Gränges share and ownership

The share capital in Gränges amounts to SEK 101 million, divided into 75,517,386 shares, each with a quota value of SEK 1.339775. Gränges only has one class of shares.

There are no pre-emption clauses, refusal clauses or other restrictions on the transfer of shares in the company by law, the company's articles of association or any agreement or other document in which the company is a party.

At 31 December 2019 Gränges had no shareholder that owned more than 10 per cent of Gränges' capital and votes.

Operating risks and uncertainty factors

As a global business with operations in different parts of the world, Gränges is exposed to various risks and uncertainties such as raw material prices, market risk, operational and legal risk, as well as financial risk related to foreign exchange, interest rates, liquidity and funding opportunities. In its risk management, Gränges seeks to identify, evaluate, and reduce risk related to the Group's business and operations. In the section risk management on pages 32–35 Gränges' risks and risk management is further described. For a more comprehensive description of the financial risks, see Note 28.

Current guidelines for remuneration to Group Management

Gränges will offer the remuneration levels and employment terms necessary to recruit, develop and retain senior executives. These individuals must have the expertise, motivation and capacity to be able to uphold, develop and implement comprehensive, valuecreating strategic objectives for the Gränges Group. Senior executives refer to the Group's Chief Executive Officer, the Group's Vice Executive Officer, other members of the Management Team, and other key individuals in the Group.

Remuneration to the Chief Executive Officer, the Vice Executive Officer, and other members of the Group Management is to be determined by the Board of Directors, but follow the guidelines adopted by the General Meeting. The basic principle is that remuneration is to be competitive and consist of a fixed salary and a variable component such as various incentive programmes. Applicable laws and other relevant regulations, both Swedish and foreign, in the relevant sector should always be complied with.

Fixed salary

The fixed salary is to consist of normal basic pay. The salary is based on responsibility, performance, skills and the complexity and scope of the duties.

Variable pay

Variable pay is to consist of an annual short-term incentive programme (STI 2019) and a long-term incentive programme (LTI 2019). Both STI 2019 and LTI 2019 will provide cash pay outs. Furthermore, long-term remuneration in the form of shares and/or share-based instruments in Gränges AB would be payable through participation in long-term incentive programmes resolved by the general meeting. There will be no guaranteed variable remuneration.

Annual short-term incentive programme (STI 2019)

The outcome of the STI is determined by a number of parameters consisting of financial key ratios for the Group, such as EBIT and cash conversion, and individual pre-determined targets. Remuneration under STI 2019 may not exceed 60 per cent of the total basic pay paid to each senior executive, except for the person holding position as President Americas, whom may obtain 100 per cent of the total basic pay.

Long-term incentive programme (LTI 2019)

The long-term incentive programme, LTI 2019, runs for three years and is primarily structured as following: An amount equivalent to the payout from STI 2019 for each participant is reserved in a special so-called LTI bank. Provided that the participants remain in the employ of the Gränges Group, the amount allocated to LTI 2019 will be paid by one third per year during the years 2021, 2022 and 2023, adjusted to the total return of the Gränges' share. The total payout from STI and paying LTI programmes in one year is limited to 150 per cent of an annual basic salary, except for the person holding position as President Americas, for whom such total payout is limited to 200 per cent of an annual basic salary.

Other benefits

Benefits that are not directly related to fixed and variable pay, such as car allowance, should facilitate the execution of duties and be in line with standard practices in the market for this target group.

Pension

Pension benefits are to comply with relevant national legislation, applicable collective agreements et cetera, and are, in relation to Swedish

senior executives, limited to the ITP plan (supplementary pension for salaried employees in industry and commerce). Gränges thus has both defined contribution and defined benefit commitments based on individual circumstances and rules. The ITP plan exists, mainly, in two versions: The ITP 1 is applicable on those who are born on 1 January 1979 or later, and the ITP 2 is applicable on those who are born on 31 December 1978 or earlier. To equalise differences that may occur between participants of ITP 1 and ITP 2, that is between different senior executives, some adjustments are made in relation to the solution dictated by ITP 2, regarding how much of the remuneration (salary and bonus) that is pensionable. For the Chief Executive Officer pension provision amounts to 35 per cent calculated on fixed monthly remuneration. Retirement age for the Chief Executive Officer is 65 years. In relation to foreign senior executives, corresponding structure applies based on the circumstances in the relevant country. Pension terms must be in line with market terms. The retirement age for other senior executives is 60–65 years, depending on country of employment.

Period of notice of termination

The contract between the company and the Chief Executive Officer stipulates a mutual twelve-month period of notice. Additionally, in the case of termination by the company, severance pay is payable without deduction for an additional twelve months. The contracts between the company and the Vice Executive Officer, and other members of the Group Management stipulates a mutual six-month period of notice. Additionally, in the case of termination by the company, severance pay is payable for an additional twelve months, without deduction for the first six months.

Information on previously agreed remuneration not yet due for payment

In addition to the long-term incentive programme LTI 2019, two similar long-term incentive programmes, LTI 2017 and LTI 2018, from previous years runs parallel. As with LTI 2019, the programmes run for three years and are designed so that an amount equivalent to the outcome from STI for each year and for each participant is set aside in a so-called LTI bank. Provided participants continue to be employed by Gränges, one third of the amount for LTI 2017 is paid per year during 2019, 2020 and 2021, and for LTI 2018 during the years 2020, 2021 and 2022. The payments are adjusted for total return of the Gränges share. The total payment of LTI together with STI in one year is limited to 1.5 times an annual salary, except for the President Americas whose payout is limited to 2 times an annual salary.

Other

If a Board member, who has been elected by the General Meeting, performs other duties on behalf of the company in addition to work on the Board of Directors, a consulting fee and other compensation are payable for such work. The Board of Directors may deviate from these guidelines if in an individual case there are special reasons for doing so. Special reasons mean limited possibilities of deviation from the guidelines.

The Board of Directors is expected to make a decision during end of March 2020 regarding the guidelines for remuneration of senior executives, that the Board will propose to the Annual General Meeting.

Events after the end of the year

Gränges' Nomination Committee has proposed Fredrik Arp to be elected as new Chairman of the Board of Gränges AB at the Annual General Meeting on 7 May, 2020. Gränges current Chairman of the Board Anders G. Carlberg, will at the same time resign as member of the Board.

CORPORATE GOVERNANCE REPORT 2019



“

2019 has been a productive and successful year with strong focus on executing our strategy.”

Anders G. Carlberg,
Chairman of the Board of Directors

DEAR SHAREHOLDER,

2019 has been a productive and successful year with strong focus on executing our strategy. Since the listing of the share in 2014, Gränges has more than doubled its sales volume and profit and generated growth above industry average.

Executing a growth strategy

During the year, we conducted important activities that provide a solid foundation for growth. In November, we announced the agreement to acquire Aluminium Konin in Poland. The acquisition strengthens our product offering as well as our presence in Europe and contributes to a strong position in new attractive niche markets. In connection with the transaction, we also communicated to carry out a rights issue to finance the acquisition and for future growth investments. During the fourth quarter of 2019, the Huntingdon expansion project in the US was completed and we also reopened the facility in Newport, to supply the US light gauge foil market. In Europe, an investment programme is underway to increase the efficiency and capacity of our facility in Finspång. The acquisition, together with the expansion projects, when fully completed, will add new capabilities and an annual capacity of 220 ktonnes, resulting in a total annual production capacity of about 640 ktonnes for Gränges.

Innovation and increased efficiency

Gränges wants to lead the development of heat exchanger materials and other advanced aluminium materials and solutions to be the customers' preferred choice. The innovation process is embedded in the Group's strategy and business model, and our actions reflect our ambitions. In 2019 we increased the number of new patents granted by 30 per cent and established a Research & Innovation centre in Huntingdon, USA. Increasing productivity, process stability, and energy efficiency, while reducing waste in the operations, were also focus areas for Gränges.

A trustworthy and responsible company

Good corporate governance enables Gränges to operate sustainably, responsibly, and efficiently in the interests of our shareholders. This contributes to increased trust and improved risk management. During the year, we continued implementation of the group-wide sustainability framework and global long-term sustainability targets. We also took important measures to increase the pace in the development of sustainable product offerings.

A year with challenging market conditions

Despite challenging market conditions, 2019 has been a productive and successful year with strong focus on expansion, combined with cost reductions and efficiency improvements in all regions. The weak market conditions, lower end-market demand in combination with continued destocking in Europe and the Americas resulted in a sales volume decline. For the full year 2019 sales volume decreased by 7 per cent to 347 ktonnes and the adjusted operating profit decreased to SEK 866 million. Cash generation was, however, very strong during the year with a cash conversion of 121 per cent.

A strong platform for profitable growth

The activities and measures carried out during 2019 position Gränges very well and create a strong platform for profitable growth. In view of Gränges' strong cash flow and considering its outlook, the Board of Directors proposes to the Annual General Meeting 2020 that the dividend should be increased by 6 per cent to SEK 3.40 per share, in total SEK 257 million. This implies that 43 per cent of the profit for the year 2019 will be returned to our shareholders.

In February 2020 Gränges' Nomination Committee announced my decision to resign as Chairman and member of the Board at the Annual General Meeting on May 7, 2020, and that Fredrik Arp has been proposed as new Chairman of Gränges. I would like to express my gratitude to Gränges' shareholders and stakeholders for the confidence during my time as chairman. It has been productive and successful years with strong profitable growth. Today, Gränges is a global industry leader with a solid platform for growth and with a competent and well composed management.

I would like to take the opportunity to express the Board of Directors' appreciation to CEO Johan Menckel and Group Management for their strong dedication and excellent performance in 2019. I would also like to highlight the efforts of all Gränges employees. In Asia we successfully maintained the market share despite increased competition in a weaker market. In the Americas and Europe, there has been challenging market conditions while large expansion projects have been conducted. I am convinced that Gränges is very well positioned for continued sustainable and profitable growth.

Stockholm, March 2020

Anders G. Carlberg
Chairman of the Board of Directors

Good and sound corporate governance ensures that the company is run as sustainably, responsibly, and efficiently as possible in the interests of the shareholders. Good corporate governance creates order and system for the Board of Directors and management, and contributes to increased trust and confidence among existing and potential owners, customers, legislators, the public and other stakeholders. In this way, industry's freedom to develop is ensured, as is the supply of risk capital and competence.

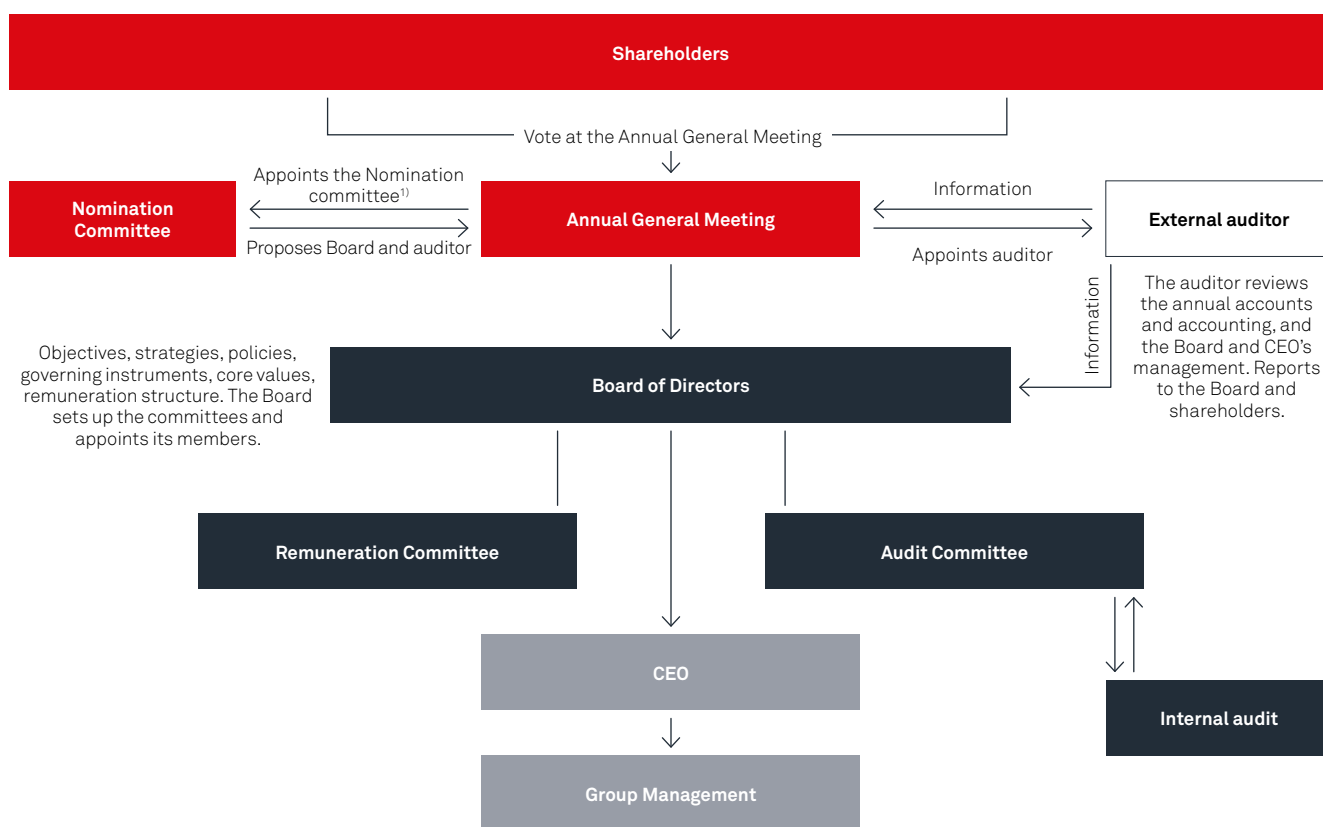
Gränges' corporate governance is based on Swedish regulations and Swedish legislation, primarily the Swedish Companies Act and the Swedish Annual Accounts Act, Nasdaq Stockholm's regulatory structure for issuers, the Swedish Corporate Governance Code ("the Code"), the Articles of Association, and other relevant internal and external regulations and policies.

Gränges complies with the Swedish Corporate Governance Code and this Corporate Governance Report has been prepared as part of Gränges' application of the Code. The Code has in some parts new regulations that apply to the company from 1 January 2020. Gränges does not report any deviations from the Code regarding the financial year 2019. The company's auditors have made a statutory examination of this corporate governance report. The Code is available on www.bolagsstyrning.se.

Gränges has during 2019 followed Nasdaq Stockholm's regulatory framework for issuers and good practice in the stock market. No violations of applicable stock exchange rules or good practices in the stock market have been reported regarding Gränges by the Nasdaq Stockholm Disciplinary Board or the Stock Market Board in 2019. CEO has no external commitments that can be considered as contrary to the company's interests.

CORPORATE GOVERNANCE IN GRÄNGES

The governance, management, and control of Gränges are distributed between the shareholders at the Annual General Meeting, the Board of Directors (the Board) and the CEO under Swedish Company Law, the Swedish Code of Corporate Governance and the Articles of Association.



External steering documents

- Swedish Companies Act
- Swedish Annual Accounts Act
- Nasdaq Stockholm's regulatory structures for issuers
- EU Market Abuse Regulation, no 596/2014 (MAR)
- Swedish Corporate Governance Code ("The Code")
- Other applicable laws

Internal steering documents

- Articles of Association
- Formal work plan for the Board of Directors and committees, instructions for CEO
- Code of Conduct
- Insider Policy
- Financial Management Policy
- Accounting Manual
- Information Policy
- Other policies, guidelines, and manuals

¹⁾ Appointed in accordance with an instruction for the Nomination Committee decided by the Annual General Meeting (AGM).

Organization

Gränges is a leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. The Group has about 1,800 employees and net sales of SEK 12 billion. Gränges has five production facilities on three continents with a combined annual production capacity of 460 ktonnes. The facilities are located in Finspång, Sweden, in Shanghai, China, as well as in Huntingdon (Tennessee), Salisbury (North Carolina), and Newport (Arkansas) in the US. Gränges holds 51 per cent of the shares in the production company Getek GmbH with plants in St Avold in France and in Velbert in Germany. Getek produces aluminium billets using advanced spray-forming technology. Gränges also owns 50 per cent of a Shanghai-based company engaged in metal stamping. On 27 November 2019, Gränges signed an agreement to acquire the Polish flat rolled aluminium producer Aluminium Konin. The transaction is subject to regulatory approval by the relevant competition authorities.

The Group's parent company, Gränges AB, is a Swedish publicly listed company with reg.no. 556001-6122. Its registered office is in Stockholm with its head office on Linnégatan 18. Gränges' shares are listed on Nasdaq Stockholm's Mid Cap list.

The share and shareholders

Gränges' shares have been traded on Nasdaq Stockholm in the Mid Cap segment since 10 October, 2014. The share capital in Gränges amounts to SEK 101 million, distributed among 75,517,386 shares that give the right to an equal number of votes and an equal share in the company's assets and profits. On 31 December, 2019, the number of shareholders totalled 8,371. The Fourth Swedish National Pension Fund (AP4) was the largest shareholder, followed by AFA Insurance and Swedbank Robur investment funds. 72.4 per cent of the shareholders held 500 shares or fewer and the 10 largest shareholders held 51.9 per cent of the total number of shares. Foreign-based share ownership amounted to 48.4 per cent. No shareholder has a shareholding of more than 10 per cent of the total number of shares. There are no restrictions on how many votes each shareholder may represent and cast at a general meeting of shareholders.

The Annual General Meeting (AGM) held on 8 May, 2019, authorized the Board of Directors, on one or more occasions before the 2020 AGM, to have the option of deciding to issue new shares and/or convertible instruments. These are equivalent to (a maximum of) 10 per cent of the total number of shares outstanding in the company at the time of the resolution adopted by the AGM, 7,551,738 shares.

Information about shareholdings of Board members and Group Management can be found on pages 48–51. More information about the Gränges share and shareholders, including a table of shareholdings as of 31 December, 2019, can be found on pages 36–37.

Annual General Meeting

The AGM, which is the company's highest decision-making body, allows all shareholders to exercise the influence that their respective shareholdings represent.

Annual General Meeting 2019

The AGM was held on 8 May 2019. At the meeting, 47.7 per cent of the shares in the company were represented.

At the AGM, Anders G. Carlberg, Carina Andersson, Mats Backman, Peter Carlsson, Katarina Lindström, Hans Porat and Ragnhild Wiborg were re-elected as board members. Anders G. Carlberg was re-elected as Chairman of the Board.

Ernst & Young AB was again appointed as the company's auditors and authorized public accountant Erik Sandström was appointed by Ernst & Young AB as auditor in charge.

Other resolutions taken during the AGM included:

- To adopt the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet for the 2018 financial year,
- To pay a dividend of SEK 3.20 per share; SEK 241,655,635 in total,
- To authorize the Board, on one or more occasions before the 2020 AGM, to have the option of deciding to issue new shares and/or convertible instruments. These are equivalent to (a maximum of) 10 per cent of the total number of shares outstanding in the company at the time of the resolution adopted by the AGM, 7,551,738 shares in total,
- To resolve that the Board, according to the Nomination Committee's proposal, should consist of seven elected members without deputies for the period up to the close of the 2020 AGM,
- To resolve, according to the Nomination Committee's proposition, that fees paid to the Board members for the period until the end of the AGM 2020 will be in accordance with the following. The Chairman of the Board will receive SEK 625,000 and each of the other board members elected by the AGM will receive SEK 310,000. In addition, remuneration to the Board committees will be SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 to each of the other members, and SEK 50,000 to the Chairman of the Remuneration Committee and SEK 25,000 to each of the other members. Fees to all the employee representatives on the Board will remain unchanged at SEK 40,000 each for the corresponding period.
- To resolve that remuneration to the auditor shall be paid in accordance with the approved account,
- To approve the guidelines proposed by the Board of Directors on remuneration to senior executives,
- To resolve, according to the Board's proposal, on a long-term (three years) incentive programme, LTI 2019, offered to Group Management as a supplement to the annual short-term incentive programme (STI 2019). STI 2019 measures EBIT (50 per cent), cash conversion (30 per cent) and individual performance (20 per cent). Remuneration under STI 2019 may not exceed 60 per cent of annual basic pay, except for the person holding the position President Americas, who may obtain 100 per cent of annual basic pay. A payout equivalent to the amount for STI 2019 is allocated, indexed to the Gränges Group's total return and paid out proportionately on an annual basis over a period of three years, provided that the individual remains a Gränges Group employee. The total payout from STI and paying LTI programmes in one year is limited to 1.5 times an annual salary, except for the person holding position as President Americas, for whom such total payout is limited to two times an annual salary.

Minutes from the AGM including complete decisions are available at www.granges.com.

Nomination committee

The Nomination Committee represents Gränges' shareholders. It proposes to the AGM nominations for Chairman of the Board, board members, auditor and auditor's fee, chairman of the AGM, as well as fees for board and committee work. In addition, the Nomination Committee shall submit proposals for Nomination Committee instructions if required.

Gränges' Nomination Committee for the 2020 AGM consists of representatives of the company's three largest shareholders as of 31 August, 2019, and the Chairman of the Board. The member representing the largest shareholder shall be Chairman of the Nomination Committee, unless the Nomination Committee agrees otherwise.

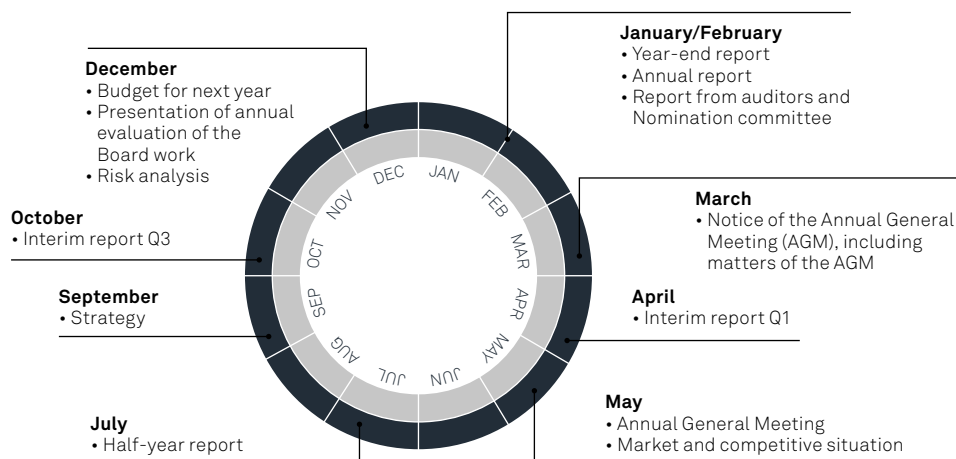
As of 31 August 2019, Gränges' three largest shareholders were The Fourth Swedish National Pension Fund (AP4), AFA Insurance, and Swedbank Robur investment funds which have been invited to nominate candidates for the Nomination Committee. On 9 September 2019, it was announced on the company's website and in a press release that the Nomination Committee ahead of the 2020 AGM had the following composition: Jannis Kitsakis (AP4), Anders Algotsson (AFA Insurance), Lennart Francke (Swedbank Robur investment funds), and Anders G. Carlberg (Gränges' Chairman of the Board). The Chairman of the Nomination Committee is Jannis Kitsakis.

Nomination Committee for the 2020 AGM

Appointed by/Name	Percentage of votes on 31 December 2019
AP4/Jannis Kitsakis*	9.5
AFA Insurance/Anders Algotsson*	9.1
Swedbank Robur investment funds/Lennart Francke*	6.6
Chairman of the Board of Gränges AB/Anders G. Carlberg	0.0

* Independent in relation to the company and company management.

The Board's work in 2019



Shareholders have been able to submit proposals and comments to the Nomination Committee until 31 January 2020. The Nomination Committee's proposals are published at the latest through the notice convening the AGM. In connection with the notice, the Nomination Committee has published a motivated statement on the company's website that supports its proposals to the Board and a report on how the Nomination Committee's work has been conducted.

Work of the Nomination Committee before the 2020 AGM

Since the Nomination Committee was formed in autumn 2019, it has had four meetings. No fee has been paid for the work in the committee.

At the second meeting of the Nomination Committee on 15 October 2019, the Chairman of the Board presented an evaluation of the Board's work that was conducted in September 2019. The result of the evaluation was predominantly very positive. At the Board meeting on 12 February 2020, the Board of Directors was also informed of the result.

Gränges, through the Nomination Committee, applies Rule 4.1 of the Code as Diversity Policy in the preparation of proposals for election of board members. Prior to the 2020 AGM, the Nomination Committee made an assessment of whether the current Board of Directors, with regard to size, breadth and diversity in terms of competence, age, gender, background and experience, is appropriately composed and meets the requirements imposed on the Board as a result of the company's current and future situation. As in previous year, an assessment was made of each individual board member's ability to devote sufficient time and commitment to the Board's work. Both assessments have been positive. The annual evaluation of the Board has been part of the basis for these assessments. The Nomination Committee is also continuously working on identifying and evaluating potential new board members.

The Board of Directors

The Board's main responsibility is to manage Gränges' business in the best interests of the company and shareholders. The Board continually assesses Gränges' financial position and ensures that the company's financial position can be satisfactorily verified. The Board decides on issues related to the Group's strategic direction and organization, and decides on key acquisitions, investments, and disposals. The Board also evaluates Group Management. Before every AGM, and based on proposals made by the Remuneration committee, the Board prepares proposals for guidelines for remuneration to the CEO and other senior executives.

Adopting a systematic and structured process, the Board annually evaluates the work of the Board to develop its procedures and efficiency. In 2019 this was conducted under the leadership of the Chairman of the Board who asked all Board members and Board deputy members to grade given aspects of its work, and gave them the opportunity to submit proposals for improvements. The results of the evaluation, which are also reported in the section about the Nomination committee, were consistently very positive.

The constituent Board meeting following the 2019 AGM established the formal work plan for the Board including work plans for the Remuneration Committee and Audit Committee, as well as instructions for the CEO and Insider Policy. The work plan governs the work and responsibilities of the Board, the frequency of Board meetings, as well as the division of duties between the board members, between the board committees, and between the Board and the CEO. Before each Board meeting, the members receive an agenda and basis for decisions. Each board meeting includes a review of current business conditions, as well as the Group's earnings, financial position and outlook.

Board composition, attendance and remuneration 2019

Name	Elected year	Independent in relation to the company /owners	Attendance Board meetings	Attendance Audit Committee meetings	Attendance Remuneration Committee meetings	Board of Directors fees, SEK	Audit Committee fees, SEK	Remuneration Committee fees, SEK	Total fees, SEK
Anders G. Carlberg	2014	Yes	10/10	n/a	4/4	600,000	–	50,000	650,000
Carina Andersson	2014	Yes	10/10	n/a	4/4	306,667	–	25,000	331,667
Mats Backman	2018	Yes	10/10	5/5	n/a	306,667	80,000	–	386,667
Peter Carlsson	2016	Yes	9/10	n/a	4/4	306,667	–	25,000	331,667
Katarina Lindström	2016	Yes	10/10	5/5	n/a	306,667	46,667	–	353,333
Hans Porat	2016	Yes	10/10	n/a	4/4	306,667	–	25,000	331,667
Ragnhild Wiborg	2014	Yes	10/10	5/5	n/a	306,667	60,000	–	366,667
Øystein Larsen	2014	No	10/10	n/a	4/4	40,000	–	–	40,000
Konny Svensson	2014	No	10/10	5/5	n/a	40,000	–	–	40,000
Elin Lindfors	2016	No	10/10	n/a	n/a	40,000	–	–	40,000
Christer Lewin	2018	No	9/10	n/a	n/a	40,000	–	–	40,000
Total fees						2,600,000	186,667	125,000	2,911,667

Other issues that are considered include competitive and general market conditions. The Board regularly reviews the overall risk situation from a variety of aspects, and the Group's work on health and safety, including accident statistics. The Board also has a system for continual follow-up of decisions and open questions.

Composition of the Board of Directors

According to the Articles of Association, the Board of Directors shall consist of at least four and at most eight AGM-elected members with a maximum of four deputies. The Board constitutes a quorum when more than half of all board members (including members appointed by employees) are present. The Board should consist of a well-balanced mix of the competencies required to manage Gränges' work responsibly and successfully. The assessment is that Gränges' Board of Directors has a suitable composition, regarding the company's operations, development stage, and general circumstances. Gränges' Board of Directors has a good gender distribution, since three of its seven members elected by an AGM are women.

In accordance with the law on board representation of private-sector employees, staff is entitled to appoint two board members and two deputy board members. The employee organizations have exercised this right also in 2019. Information about board members can be found on pages 48–49 and at www.granges.com

Chairman of the Board

The Chairman of Gränges' Board organizes and leads the Board's work, represents the company in ownership matters, evaluates the Board's work, has day-to-day contact with CEO and other members of Group Management, and ensures that the Board fulfils its duties and obligations effectively. To enable this work, the Chairman ensures that there are appropriate instructions on the division of work between, on the one hand, the Board and on the other hand the CEO and the other bodies set up by the Board.

The Board's work in 2019

In 2019, ten minuted board meetings were held, of which five were telephone meetings and five were physical meetings. The board meeting in February was held at Gränges' subsidiaries in Franklin and Huntingdon, Tennessee. The board meeting in September was held at Gränges' plant in Finspång. The rest of the meetings were held at the headquarter in Stockholm. The Board formed a quorum at all meetings. At the February meeting, the Board held a session in the absence of Group Management. The CEO participated in all meetings and the deputy CEO, also the CFO, participated in all meetings except for one. The Secretary of the Board is Gränges' General Counsel.

Matters discussed by the Board during 2019 include the acquisition of Aluminium Konin in Poland and its financing, development of a new groupwide strategy for the coming years, an update of the Anti-Corruption Policy, decision concerning training in the Code of Conduct and Anti-Corruption, and evaluations of potential acquisitions.

Remuneration Committee

According to the Board's formal work plan, the Remuneration Committee shall comprise the Chairman of the Board, and one or more board members, who should be independent in relation to the company and Group Management. During the year, the committee consisted of four members and held four meetings.

The Remuneration Committee submits proposals to the Board on CEO's salary and other terms of employment, and sets out limits for other Group Management members' salaries and terms of employment by adopting guidelines for remuneration principles. The Remuneration Committee evaluates the application of these guidelines. The committee also has the task of monitoring and evaluating programmes for variable remuneration to Group Management that are ongoing or have been completed during the year.

During 2019 and beginning of 2020 the Board, through the Remuneration Committee, conducted a review of the guidelines for remuneration to senior executives due to changed law rules and changes in the Code. The Board's proposition regarding new guidelines will be presented in the decision-making basis for the 2020 AGM. In addition to the annual evaluation of the incentive programmes (STI and LTI), the

committee has investigated an option/share programme for Group Management.

Information about members of the Remuneration Committee can be found in the table on page 44. A statement of remuneration to senior executives can be found in Note 8.

Audit Committee

The Audit Committee should comprise at least three Board members elected at a general meeting of shareholders, and the majority of them should be independent of the company and Group Management. The committee members should have specialist competence, experience of and interest in financial and accounting issues. The Board shall elect the chairman of the Audit Committee who may not be the Chairman of the Board. The Audit Committee meets before each reporting date, and in addition if necessary.

The Audit Committee support the Board in fulfilling its responsibilities in internal control and accounting, and to ensure the quality of Gränges' financial reporting. The purpose is to increase the quality of the audit and to improve contacts between the Board of Directors and the company's auditor as well as to increase the quality and improve the supervision and control of the Company's financial risk exposure and risk management.

The Audit Committee analyzes and highlights key accounting issues affecting the Group, and monitors the financial reporting process to ensure quality. The committee also takes note of the company's impairment test and its assumptions, assists the Nomination Committee to prepare proposals for auditors and their fees, and assesses the independence of the external auditor.

The company's risk management process is based on production processes and flows. The Audit Committee considers the identified risk areas. Based on the outcome of that, the committee determines the focus and scope of the internal auditing and establishes an internal audit plan.

Gränges' internal audit is reported to the Board and must ensure that the company has sufficient internal control systems for financial reporting. The General Counsel is responsible for internal audit. It is performed on a rolling schedule and is conducted by the company's group finance function with support from the subsidiaries' finance functions, except for the business that is the subject of the audit. The purpose of applying so called cross-functional audit between the units is to exchange experiences and achieve best practice within the Group. During 2019, internal audit of Gränges' operations in Japan, Germany and France was conducted.

In conjunction with the quarterly reviews of the company's financial performance and position, the Audit Committee takes part of management's assessment of the areas where estimates are important to the Group. One area that has been reviewed in connection with each quarterly report during the year is whether the Chinese business is expected to finally achieve qualification as a high-tech company and thus enjoy a tax rate of 15 per cent instead of the ordinary tax rate of 25 per cent. For further information, see Note 15 Taxes.

The Audit Committee annually sets a number of focus areas within Financial and Internal Control, Business Control, Treasury, IT and Strategic Projects. A great deal of attention during the year has been on IT and cyber security, a work that also will continue during 2020.

The Audit Committee has had five meetings in 2019. Auditor Erik Sandström attended all meetings and reported on controls and audit planning throughout the year. More information about members of the Audit Committee can be found in the table on page 44.

Auditor

The auditor, elected at the AGM, is responsible for reviewing the annual accounts and accounting, and examining the Board's and CEO's administration of the company.

According to the Articles of Association, Gränges should have at least one and at most two auditors. Registered auditing firms may be appointed as auditors. Ernst & Young AB was appointed auditor at the AGM, and has informed the company that authorized auditor Erik Sandström will be auditor in charge until the 2020 AGM.

The external audit of the parent company and group accounts, and of the administration of the Board and CEO, is conducted according to International Standards on Auditing (ISA), and with generally accepted auditing

standards in Sweden. The auditor in charge participates in all Audit Committee meetings. Information on auditor fees can be found in Note 10.

CEO and Group Management

Group Management is responsible for developing and implementing the Group's overall strategies regarding for example product and customer strategies, and acquisitions and disposals. The matters are prepared by Group Management to be decided upon by the Board.

The CEO is appointed by the Board and is responsible for the day-to-day management of the company in accordance with the Board's instructions and guidelines.

Group Management comprises eight people: the CEO, CFO, President Asia, President Europe, President Americas, SVP Technology & Business Development, General Counsel, and SVP Communications. The SVP Human Resources, SVP Process Engineering & Operational Development and SVP Research & Innovation are part of the extended Group Management.

Group Management holds monthly meetings to review the results and financial position of the Group and subsidiaries. Other questions dealt with at these meetings include strategy issues and follow-up of budgets and forecasts. Subsidiaries are also monitored more closely due to the CEO being chairman of the three subsidiaries. Other members of Group Management and employee representatives also serve on these boards. The subsidiaries' boards monitor day-to-day operations and approve each subsidiary's strategy and budget.

More information about Group Management can be found on pages 50–51. Information about remuneration to senior executives can be found on page 45 (Remuneration Committee) and in Note 8.

Sustainability management and organization

Gränges' sustainability efforts are led by the Group Management and the VP Sustainability, who coordinates, facilitates and drives the global sustainability strategy, long-term targets and sustainability related policies. The VP Sustainability also communicates on sustainability performance and progress to different stakeholders and coordinates a continuous stakeholder dialogue.

Gränges' CEO regularly presents global sustainability performance to the Board of Directors, who reviews and monitors performance against the company's targets. The Board of Directors is the body which approves the company's global sustainability strategy, long-term targets and policies, and adopts the annual sustainability report.

Group Management ensures that Gränges' global sustainability strategy, long-term targets and policies are aligned with the company's vision and strategy. The team also reviews and monitors sustainability performance against sustainability targets, as well as makes decisions related to global sustainability priorities.

Each sustainability pillar is governed by one member of Group Management. This individual proposes global sustainability priorities and coordinates with Gränges' regional operations through cross-regional teams to implement local sustainability activities within a specific sustainability pillar.

The regional operations in turn ensure that a local sustainability strategy, long-term targets and policies are in place and aligned with the global strategy and the needs of the local business. They also report on local sustainability performance and progress.

Gränges has published a sustainability report each year since 2015, and intends to continue to publish a report annually. The sustainability information in this report has been prepared in accordance with GRI Standards: Core option and constitutes Gränges' Communication on Progress in line with UN Global Compact guidelines. The report and its contents have not been externally assured. GRI's guidance on the reporting principles of materiality, stakeholder inclusiveness, sustainability context, and completeness, has been used to define the content of the report.

The statutory sustainability report in accordance with the Swedish Annual Accounts Act has been issued by Gränges' Board of Directors, read more on page 39. The report relates to the financial year 2019 and covers all fully owned operations of the Group at the start of 2019, as listed on page 90. Gränges' last sustainability report was published on 14 March 2019.

Internal control and risk management regarding financial reporting

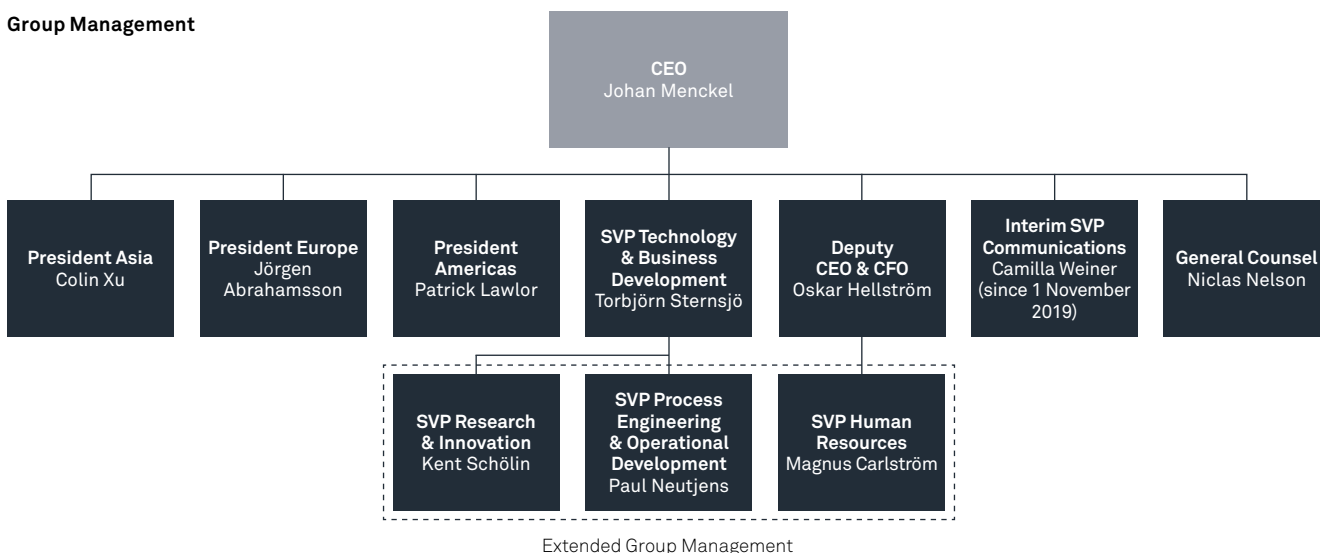
Under the Swedish Companies Act and the Code, the Board of Directors is responsible for ensuring that the company has good internal control and routines that ensure compliance with established principles for financial reporting and internal control. The Board must also ensure that financial reporting complies with the Companies Act, applicable accounting standards, and other requirements for listed companies.

Framework

Gränges' work with internal control complies with the established international framework, Internal Control Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). According to the COSO model, review and assessment are carried out in the areas of control environment, risk assessment, control activities, information and communication, and monitoring.

Gränges' internal control process is designed to ensure with reasonable certainty the quality and accuracy of financial reporting, and ensure that reporting is prepared in accordance with applicable laws and regulations, accounting standards, and other requirements for listed companies in Sweden. This requires a healthy control environment, reliable risk assessment, established control activities; and that information, communication, and monitoring works satisfactorily.

Group Management



1 Control environment

The control environment is defined by the Group's organizational structure, Group Management's working methods and values, and other roles and responsibilities within the organization. The Audit Committee assists the Board with essential accounting issues, and monitors the internal control of the financial reporting. To maintain an effective control environment and good internal controls, the Board has delegated the day-to-day responsibility to the CEO, who in turn has allocated responsibilities to other Group Management members.

Quality in the financial reporting is ensured through different measures and routines. The company has policies and manuals for financial reporting, including the Financial Management Policy, the Metal Management Policy and the Accounting Manual. In addition to the above, there are important group-wide steering documents such as the Code of Conduct, the Insider Policy and the Information Policy. There is continuous work to develop policies and manuals.

Gränges has a whistleblower function to detect irregularities that may seriously harm the business or employees. The function is managed by an external company and can be accessed online (intranet or external website) or by telephone. Employees and external business partners can provide information and be guaranteed full anonymity without fear of retaliation.

2 Risk assessment

Regular risk assessments are carried out to handle the internal and external risks that Gränges' organization is exposed to. Risks that may affect financial reporting are identified, measured, and managed. This is an integral part of day-to-day reporting to the Group Management and the Board, and forms the basis for assessing risks of errors in financial reporting.

Gränges' operations are characterized by processes with established routines and systems. Risk assessment therefore largely occurs within the framework of these processes. At group level, only general risk assessments are conducted. Managers identify, monitor, and evaluate these risks, which creates the basis for making well-rounded and correct business decisions at all levels. Financial risks such as currency, commodity, refinancing, and counterparty risks, as well as interest rate and credit risks, are mainly handled by the parent company's accounting and finance functions according to the Financial Management Policy, the Metal Management Policy and the Accounting Manual.

A description of the Group's risks and risk management can be found on pages 32–35.

3 Control activities

The main purpose of control activities is to prevent and discover material errors in financial reporting at an early stage, thereby being able to manage and resolve them. Control activities are conducted at a general level as well as at more detailed levels throughout the Group, and are both manual and automated in nature. Routines and activities have been designed to manage and resolve material risks related to financial reporting, and that are identified in risk assessments. Depending on the character and type of control activity, corrective action, implementation, documentation, and quality assurance, occur at a group or subsidiary level. As is the case for other processes, each manager is responsible for the completeness and accuracy of the control activities.

The Group has a common consolidation system, where the legal entities report, which provides good internal control of financial reporting. Most controls and processes are automated and authorization to access IT systems is limited. Control activities are performed at all levels of the Group. One example is the established controller function that analyses and monitors deviations and reports its findings to other parts of the Group.

Monitoring by Group Management occurs, for example, through regular meetings with subsidiary managing directors to discuss operations, financial position, and results, as well as key financial and operative key figures. The Board continually analyses reports on operations in which Group Management describes the previous period, and comments on the Group's financial position and results. Significant fluctuations and deviations are therefore monitored, which limits the risks of errors in the financial reporting.

The closing of the books and work on the annual accounts are processes where there is further risk that errors arise in financial reporting. Naturally, this work is less repetitive and often includes several instances where estimates are made. Important control activities include ensuring that there is a well-functioning reporting structure in which subsidiaries report using standardized models, and that important income and balance sheet items are specified and commented on.

4 Information and communication

Effective and accurate internal and external information is important to ensure full and accurate financial reporting on time. Gränges' financial reporting follows Group guidelines and policies, and is updated and communicated regularly by Group Management to all relevant staff.

The accounting function has operational responsibility for day-to-day financial reporting, and works to ensure that the Group's guidelines, policies, and instructions are applied uniformly across the Group. The accounting function also identifies and communicates deficiencies in financial reporting.

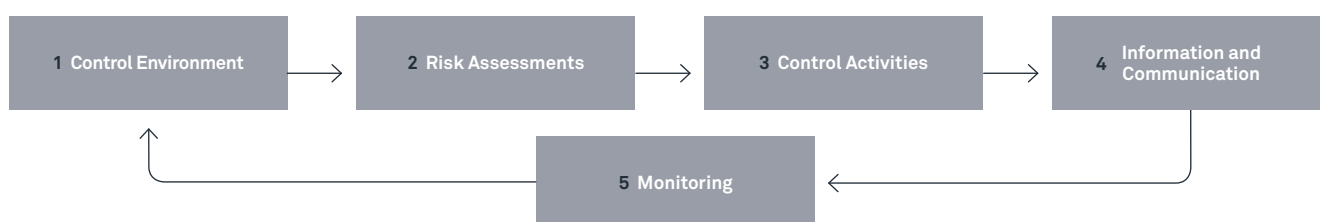
Policies, guidelines, and manuals are regularly updated and are available on the company's intranet.

All communication from Gränges must be timely, reliable, accurate, and up to date. External communication should be in accordance with the Group's Information Policy, Nasdaq's regulatory framework for issuers, and other applicable regulations. The financial information should provide the capital and equity markets with a comprehensive and clear picture of the company, its financial position, development, and strategy. All financial reports and press releases are published simultaneously to Nasdaq Stockholm and Finansinspektionen, and published on the company's external website.

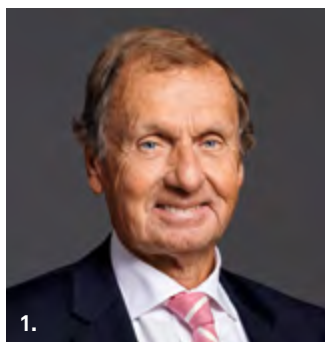
5 Monitoring

The Board's monitoring of the internal control of financial reporting takes place primarily through the Audit Committee, including the monitoring of the internal audit, and through contact with the external auditors. External auditors annually monitor selected areas of internal control within the framework of the Group audit, and report the outcome of their audit to the Audit Committee. Material observations are also reported directly to the Board. Regarding the 2019 audit, the auditors have monitored the internal control in selected key processes, and have reported their findings to the Audit Committee.

Framework



BOARD OF DIRECTORS



1.



2.



3.



4.



5.



6.



7.

- 1. Anders G. Carlberg
- 2. Carina Andersson
- 3. Mats Backman
- 4. Peter Carlsson
- 5. Katarina Lindström
- 6. Hans Porat
- 7. Ragnhild Wiborg

1. ANDERS G. CARLBERG

Born: 1943

Education: M.Sc. Business Administration.

Position: Chairman of the Board. Elected to the Board in 2014. Chairman of the Remuneration Committee.

Other assignments: Chairman of Herenco and board member of Recipharm.

Previous positions: Board member of Investment AB Latour, AxFast, Beijer Alma and Sapa. CEO of J.S. Saba, CEO of Nobel Industrier, CEO of Axel Johnson International, Deputy CEO of SSAB and other management positions.

Own and related parties' shareholding: 35,294 shares.

2. CARINA ANDERSSON

Born: 1964

Education: M.Sc. Engineering, Material Science.

Position: Board member. Elected to the Board in 2014. Member of the Remuneration Committee.

Other assignments: Board member of Systemair, Beijer Alma, BE Group and Detection Technology.

Previous positions: General Manager Powder Technology, Sandvik Materials Technology. CEO of Ramnäs Bruk and Scana Ramnäs. Board member of Mälardalens Högskola and Sintercast.

Own and related parties' shareholding: 2,402 shares.

3. MATS BACKMAN

Born: 1968

Education: B.Sc. Business Administration.

Position: Board member. Elected to the Board in 2018. Chairman of the Audit Committee.

Other assignments: CFO and Executive Vice President of Financial Affairs at Veoneer.

Previous positions: CFO at Autoliv. Various management positions at Sandvik, including as CFO. Various management positions at Outokumpu, Nordea, and Boliden.

Own and related parties' shareholding: 5,000 shares.

4. PETER CARLSSON

Born: 1970

Education: B.Sc. Economics.

Position: Board member. Elected to the Board in 2016. Member of the Remuneration Committee.

Other assignments: CEO of Northvolt. Board member in Metso and Orbital.

Previous positions: Vice President Supply Chain and Chief Procurement Officer at Tesla Motors. Senior Vice President and Chief Procurement Officer at NXP Semiconductors. Head of Sourcing at Sony Ericsson.

Own and related parties' shareholding: 0 shares.

5. KATARINA LINDSTRÖM

Born: 1965

Education: M. Sc. Engineering, Material Science.

Position: Board member. Elected to the Board in 2016. Member of the Audit Committee.

Other assignments: President Global Operations at Munters. Member of the Swedish Royal Engineering Academy. Board member of Skövde Högskola.

Previous positions: Senior Vice President International Manufacturing and Senior Vice President, Operations and Supply Chain Management at Volvo Group Trucks Operation. Various management positions at Volvo since 1988.

Own and related parties' shareholding: 2,000 shares.

6. HANS PORAT

Born: 1955

Education: M.Sc. Engineering, Material Science.

Position: Board member. Elected to the Board in 2016. Member of the Remuneration Committee.

Other assignments: Board member of Ecolan.

Previous positions: CEO and President of Nolato, various executive positions at ABB, Deputy CEO at Trelleborg, President of Gadelius Japan.

Own and related parties' shareholding: 0 shares.

7. RAGNHILD WIBORG

Born: 1961

Education: M.Sc. Business Administration.

Position: Board member. Elected to the Board in 2014. Member of the Audit Committee.

Other assignments: Chair of EAM Solar. Board member and Chair of Audit committee in Sbanken, Intrum, REC Silicon and Insr Insurance.

Previous positions: Fund manager and Chief Investment Officer at Odin Fonder and at Wiborg Kapitalförvaltning. Worked at several investment banks, including Pareto, ABG Sundal Collier, First Chicago and SEB.

Own and related parties' shareholding: 1,176 shares.

EMPLOYEE REPRESENTATIVES



ØYSTEIN LARSEN

Employee representative
Born: 1957
IT architect, employed at Gränges since 1979.
Employee representative of the Board since 2014. Representing Unionen.
Own and related parties' shareholding: 470 shares.



KONNY SVENSSON

Employee representative
Born: 1954
Maintenance electrician, employed at Gränges since 1997.
Employee representative of the Board since 2014. Chairman of blue collar union IF Metall. Representing IF Metall. Employee representative of Gränges Sweden AB.
Own and related parties' shareholding: 235 shares.



ELIN LINDFORS

Deputy employee representative
Born: 1988.
Technical manager re-melting, employed at Gränges since 2013.
Employee representative of the Board since 2016. Representing the Swedish Association of Graduate Engineers and the Union for Professionals.
Own and related parties' shareholding: 420 shares.



CHRISTER LEWIN

Deputy employee representative
Born: 1962
Maintenance electrician, employed at Gränges since 1982.
Employee representative of the Board since 2018. Representing IF Metall.
Own and related parties' shareholding: 0 shares.

AUDITOR



ERIK SANDSTRÖM

Auditor in charge
Ernst & Young AB
Born: 1975
Authorized public accountant and member of FAR.
Other assignments: Autoliv, Ratos, Mycronic, Tradedoubler and Praktikertjänst.

GROUP MANAGEMENT



- 1. Johan Menckel
- 2. Oskar Hellström
- 3. Jörgen Abrahamsson
- 4. Magnus Carlström
- 5. Patrick Lawlor
- 6. Niclas Nelson
- 7. Paul Neutjens
- 8. Kent Schölin
- 9. Torbjörn Sternsjö
- 10. Camilla Weiner
- 11. Colin Xu

1. JOHAN MENCKEL

CEO

Born: 1971**Education:** M.Sc. Engineering.
Position: CEO since 2013. Member of Group Management since 2013.**Previous positions:** CEO at Sapa Heat Transfer, 2012–2013. Business Area President at Sapa Profiles Asia, 2011–2012. MD at Sapa Heat Transfer Shanghai, 2007–2010. Management positions at Sapa Heat Transfer, 2004–2006. Consultant at Accenture, 1996–2004.**Other assignments:** Board member of Saab and Nederman Holding. Member of the Steering Committee of the World Materials Forum.**Own and related parties' shareholding:** 38,000 shares.**2. OSKAR HELLSTRÖM**

CFO & Deputy CEO

Born: 1979**Education:** M.Sc. Engineering and B.Sc. Economics.**Position:** CFO since 2013 and Deputy CEO since 2017. Member of Group Management since 2013. **Previous positions:** CFO at Sapa Heat Transfer, 2011–2013. Director Group Development & Control at Sapa Group, 2009–2011. Strategy Manager at Sapa Group, 2008–2009. Consultant at Booz Allen Hamilton, 2005–2008.**Own and related parties' shareholding:** 15,000 shares.**3. JÖRGEN ABRAHAMSSON**

President Europe

Born: 1967**Education:** Upper secondary school.**Position:** President Europe since 2017. Member of Group Management since 2017.**Previous positions:** Production Director at Gränges Sweden AB. Head of Sapa Profiler Finspång. CEO at Rosengrens Produktions AB, Sapa Profilbearbetning AB, Sapa Profilbockning AB and Sapa Komponenter AB. Production Manager at Sapa Heat Transfer.**Other assignments:** Board member of ProfilGruppen.**Own and related parties' shareholding:** 0 shares.**4. MAGNUS CARLSTRÖM**

SVP Human Resources

Born: 1966**Education:** LL.M., Executive MBA, studies in behavioural sciences. **Position:** SVP Human Resources since 2017. Member of extended Group Management since 2017. **Previous positions:** Director HR & Communications at Gränges AB and Gränges Europe, 2012–2016. VP HR at Strabag Scandinavia, 2009–2012. Head of Strategic Leadership & Training at Peab Group, 2006–2009. Head of HR at Peab Sverige, 2000–2006.**Own and related parties' shareholding:** 0 shares.**5. PATRICK LAWLOR**

President Americas

Born: 1964**Education:** B.Sc. Economics.**Position:** President Americas since 2016. Member of Group Management since 2016.**Previous positions:** President Americas at Sapa Extrusions, 2010–2015. CFO at Sapa Extrusion North America, 2009–2010. CFO at Indalex, Inc., 2007–2009. Several management positions at Norsk Hydro, 1997–2007.**Other assignments:** Member of the Board of Directors at Can Art Extrusions LLP. Vice President at Global Aluminium Foil Roller Initiative (GLAFRI).**Own and related parties' shareholding:** 0 shares.**6. NICLAS NELSON**

General Counsel

Born: 1964**Education:** LL.M.**Position:** General Counsel since 2014. Member of Group Management since 2014.**Previous positions:** Associate General Counsel at Autoliv, 2002–2014. Legal Counsel at ABB, 1998–2002. Attorney at Hökerberg & Söderqvist Advokatbyrå, 1993–1998. Associate at Vinge, 1992–1993. Law Clerk at City Court of Malmö, 1990–1992.**Own and related parties' shareholding:** 5,000 shares.**7. PAUL NEUTJENS**

SVP Process Engineering & Operational Development

Born: 1959**Education:** M.Sc. Engineering, Metallurgy and Applied Material Science.**Position:** SVP Process Engineering & Operational Development since 2017. Member of extended Group Management since 2017.**Previous positions:** CTO at Gränges and member of Group Management, 2013–2017. Strategic Project Director at Sapa Heat Transfer, 2011–2013. Director of Lean Production at Sapa Profiles Europe, 2007–2010. Several management positions at Alcoa, 1994–2007. Several management positions at Hoogovens Aluminium, 1986–1994.**Own and related parties' shareholding:** 4,000 shares.**8. KENT SCHÖLIN**

SVP Research & Innovation

Born: 1964**Education:** M.Sc. Engineering, Material Science.**Position:** SVP Research & Innovation since 2017. Member of extended Group Management since 2017.**Previous positions:** President Europe at Gränges and member of Group Management, 2013–2017. MD at Sapa Heat Transfer Finspång, 2012–2013. MD at Gunnebo Gateway, 2005–2012. Several management positions at Sapa Heat Transfer, 1994–2004. Research engineer at Gränges Technology 1989–1994.**Own and related parties' shareholding:** 4,705 shares.**9. TORBJÖRN STERNSJÖ**

SVP Technology & Business Development

Born: 1962**Education:** M.Sc. Engineering.**Position:** SVP Technology & Business Development since 2017. Member of Group Management since 2017.**Previous positions:** Director Business Development at Gränges, 2015–2017. President at the joint venture Sapa Chalco Aluminium Products Chongqing, 2011–2015. President at Sapa Profiles in Asia, 2007–2010. Managing Director at Gränges Shanghai, 1999–2007. Various senior positions at Gränges and Sapa since 1994.**Own and related parties' shareholding:** 15,605 shares.**10. CAMILLA WEINER**

Interim SVP Communications

Born: 1968**Education:** M.Sc. Economics. **Position:** Interim SVP Communications since 1 November 2019. Member of Group Management since 1 November 2019.**Previous positions:** Director (SVP) Corporate Communications at SCA 2010–2012. Director (SVP) Corporate Communications & Sustainability at Axfood 2007–2010. Director (SVP) Corporate Communications at Ahlsell 2003–2007. Head of Communications & Investor Relations at Securitas 1995–2003. Auditor at Price Waterhouse 1990–1994.**Other assignments:** CEO at Weiner Kommunikation since 2013.**Own and related parties' shareholding:** 0 shares.**11. COLIN XU**

President Asia

Born: 1976**Education:** M.Sc. Economics and Business Administration, MBA.**Position:** President Asia since 2013. Member of Group Management since 2013.**Previous positions:** MD at Sapa Heat Transfer Shanghai, 2011–2013. At Sapa Heat Transfer Shanghai, 2001–2010, with several leading management positions since 2003.**Own and related parties' shareholding:** 0 shares.

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CONSOLIDATED INCOME STATEMENT

SEK million	Note	2019	2018
Sales revenues	33	11,959	12,884
Other operating revenues		19	26
Net sales	6, 7	11,978	12,910
Cost of materials ¹⁾		-7,620	-8,601
Payroll expenses	8, 9	-1,410	-1,270
Other operating expenses	11	-1,621	-1,747
Depreciation, amortization and impairment charges	17, 18, 19	-461	-353
Items affecting comparability ¹⁾	12	-30	-
Operating profit		836	940
Profit from joint ventures	13	1	22
Financial income	14	9	15
Financial costs	14	-160	-128
Profit before taxes		686	849
Income tax	15	-86	-161
Profit for the year		600	688
Profit for the year attributable to			
– owners of the parent		600	688
– non-controlling interests		-	-
Earnings per share			
Earnings per share, basic, SEK	16	7.95	9.11
Earnings per share, diluted, SEK	16	7.95	9.11

1) Items affecting comparability are presented in note 12.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	2019	2018
Profit for the year		600	688
<i>Items not to be reclassified to profit/loss for the year</i>			
Remeasurement of pensions before tax	9	-39	-26
Tax on above	15	8	6
		-31	-20
<i>Items to be reclassified to profit/loss for the year</i>			
Change in hedging reserve before tax	28	28	-42
Tax on above	15	-6	10
		22	-32
Translation differences		91	142
Comprehensive income for the year attributable to the owners of the parent company		682	778

CONSOLIDATED BALANCE SHEET

SEK million	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets	17	874	761
Property, plant and equipment	18	4,846	3,651
Right-of-use assets	19	255	–
Deferred tax assets	15	28	54
Interests in joint ventures	13	12	10
Interest-bearing receivables	21, 26, 33	2	2
Other non-current receivables	21, 28	8	11
Total non-current assets		6,025	4,489
Current assets			
Inventories	20	1,957	1,968
Receivables	21, 22, 28, 33	1,748	1,859
Interest-bearing receivables	21, 26	3	0
Cash and cash equivalents	23	747	457
Total current assets		4,455	4,285
TOTAL ASSETS		10,480	8,773
EQUITY AND LIABILITIES			
Equity			
Share capital	24	101	101
Share premium	24	49	49
Reserves		577	494
Retained earnings		3,587	3,229
Total equity		4,314	3,873
Non-current liabilities			
Deferred tax liabilities	15	124	76
Pension liabilities	9	363	321
Interest-bearing liabilities	21, 26, 27	2,901	2,117
Provisions	31	20	–
Other non-current liabilities	21, 28	5	9
Total non-current liabilities		3,414	2,522
Current liabilities			
Interest-bearing liabilities	21, 26, 27	953	515
Current tax liabilities	15	12	82
Provisions	31	31	–
Other current liabilities	21, 25, 28	1,756	1,781
Total current liabilities		2,752	2,378
TOTAL EQUITY AND LIABILITIES		10,480	8,773

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Note	Share capital	Share premium	Reserves			Retained earnings including profit for the year	Total equity
				<i>Hedging reserve</i>	<i>Defined benefit pension plans</i>	<i>Translation reserve</i>		
Opening balance at 1 January 2019		101	49	-21	-28	543	3,229	3,873
Profit for the year		-	-	-	-	-	600	600
<i>Items in comprehensive income</i>		-	-	22	-31	91	-	82
Group comprehensive income		-	-	22	-31	91	600	682
Dividend ¹⁾		-	-	-	-	-	-242	-242
Closing balance at 31 December 2019		101	49	2	-59	634	3,587	4,314
Opening balance at 1 January 2018		101	49	12	-8	401	2,768	3,322
Profit for the year		-	-	-	-	-	688	688
<i>Items in comprehensive income</i>		-	-	-32	-20	142	-	90
Group comprehensive income		-	-	-32	-20	142	688	778
Dividend ¹⁾		-	-	-	-	-	-227	-227
Closing balance at 31 December 2018		101	49	-21	-28	543	3,229	3,873

1) Dividend per share amounted to SEK 3.20 (3.00) during 2019.

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Note	2019	2018
Operating profit		836	940
Depreciation and impairment charges		461	353
Other non-cash items		–	64
Change in net working capital etc.		236	98
Income taxes paid		–92	–105
Cash flow from operating activities		1,441	1,351
Acquisition		–	24
Investments in property, plant and equipment and intangible assets	17, 18	–1,590	–843
Divestments of property, plant and equipment		0	4
Other capital transactions		–	–3
Cash flow from investing activities		–1,590	–819
Dividend		–242	–227
Interest paid	14	–144	–104
Interest received	14	7	6
New loans		5,546	3,078
Repayment of loans		–4,727	–3,579
Cash flow from financing activities		440	–825
Cash flow for the year		292	–294
Cash and cash equivalents at 1 January		457	742
Cash flow for the year		292	–294
Translation difference on cash and cash equivalents		–2	9
Cash and cash equivalents at 31 December	23	747	457

Reconciliation between opening and closing balance of liabilities whose cash flows are recognized in financing activities

SEK million	2019	2018
Interest-bearing liabilities at 1 January	2,632	2,791
Cash flow	818	–501
<i>Non-cash items</i>		
Exchange rate differences	63	336
Change in accrual borrowing costs	–2	5
Change in lease liabilities	307	–
Change in fair value for interest-bearing derivatives	35	0
Interest-bearing liabilities at 31 December	3,853	2,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Group's parent company, Gränges AB, is a Swedish public listed company. Company registration number is 556001-6122, and its registered office is in Stockholm with its head office on Linnégatan 18, SE-114 47 Stockholm. This document was approved for publication by the Board of Directors of Gränges AB on 9 March 2020.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

The Gränges Group includes, in addition to the parent company Gränges AB, directly and indirectly held subsidiaries of Gränges AB.

Significant accounting principles applied in preparing these consolidated financial statements are described below. Unless otherwise stated, these principles have been applied consistently for all the years presented. The consolidated financial statements have been prepared and presented in compliance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups.

The financial statements have been prepared by applying the cost method, with the exception of financial assets and liabilities (including derivatives), which are measured at fair value.

Preparing financial statements in accordance with IFRS requires the use of important accounting estimates. Management is also required to make certain judgements in applying the Group's accounting principles. Areas which involve a high degree of judgement, are complex or where assumptions and estimates have a material impact on the consolidated accounts are described in Note 5.

An asset or liability is classified as current when it is a part of an entity's normal operations, is primarily held for trading, matures within 12 months and consists of cash and cash equivalents at the balance sheet date. Other items are classified as non-current. A dividend is classified as a liability only upon formal approval by a general meeting of shareholders.

Unless otherwise stated, all amounts are stated in SEK million. Negative amounts refer to expenses or outgoing payments (cash flow).

Items affecting comparability

Items affecting comparability are presented in Note 12 and refer to non-recurring income and expenses.

The primary purpose of separating significant non-recurring items is to facilitate understanding of the underlying business development.

Consolidation Subsidiaries

All companies over which the Group exercises a controlling influence are classified as subsidiaries. The Group controls a company when it is exposed to or has the right to a variable return from its involvement with the company and has the ability to affect those returns through its power over the company. Subsidiaries are included in the consolidated accounts as of the date when the control is transferred to the Group and are consolidated up to the date when the controlling influence ceases.

Business combinations are accounted for in accordance with the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred,

liabilities incurred to the former owners of the acquired business and equity interests issued by the group. The consideration also includes fair value of all assets or liabilities resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related expenditures are expensed as incurred.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Joint arrangements

Shares in companies in which the Group exercises a controlling influence are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint arrangements are included in the consolidated accounts as of the date when significant influence is transferred to the Group and are consolidated up to the date when the significant influence ceases.

For joint operations, assets, liabilities, revenues and expenses are recognized in the consolidated accounts in relation to ownership.

Interests in joint ventures are accounted for using the equity method. Under the equity method, investments in joint ventures are initially carried at cost in the consolidated statement of financial position. The carrying amount is then increased or decreased to take account of the Group's share of the profit or loss and other comprehensive income from its joint ventures after the date of acquisition. The Group's share of the profit or loss is presented in the line "Profit from joint ventures" in the income statement and the line "Interests in joint ventures" in the balance sheet. For further information regarding joint arrangements, see Note 13.

Foreign currency translation

Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the operates ('the functional currency'). The consolidated financial statements are presented in Swedish krona (SEK), which is the Group's presentation currency.

Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency at the exchange rates applying on the transaction date or the date when the items were re-measured. Foreign exchange gains and losses arising from such transactions and upon translation of monetary assets and liabilities in foreign currency at closing day rates are recognized in the income statement. The exception is when the transactions constitute hedges and meet the criteria for hedge accounting of cash flows or net investments, in which case any gains and losses are recognized in other comprehensive income.

Financial receivables and liabilities in foreign currency are stated at the closing rate and any gain or loss is recognized in financial items in the income statement. Other monetary items in foreign currency are carried at the closing rate and any gain or loss is recognized in operating items in the income statement.

3 NEW ACCOUNTING STANDARDS

New accounting standards adopted by the Group in 2019

IFRS 16 Leases

From the financial year beginning 1 January 2019, Gränges applies IFRS 16 Leases. IFRS 16 replaces leasing standard, IAS 17 Leases and related interpretations. The new standard is adopted based on the modified retrospective transition method and mainly impacts the reporting of machinery and equipment, vehicles, office premises, warehouses and land areas that are not owned by Gränges. Accordingly, the information presented 2018 has not been restated and is presented, as previously reported under IAS 17 and related interpretations.

As a consequence, the implementation of IFRS 16 positively impacts the operating margin due to the elimination of operation leasing expenses which are partly compensated by depreciation of the leased (right-of-use) assets. In addition, the finance costs will increase due to the recognition of interest expenses on the finance lease liabilities.

At initial application as of 1 January 2019, opening balances for right-of-use assets and lease liabilities were recognized by SEK 270 million each, measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. The weighted average rate applied is 4.4 per cent.

The effects from the implementation of IFRS 16 Leases in the income statement, balance sheet and cash flow are presented below.

Consolidated income statement

SEK million	2019
Other operating expenses	59
Depreciation, amortization and impairment charges	-52
Operating profit	7
Financial costs	-12
Profit before tax	-5
Income tax	1
Profit for the year	-4

Consolidated balance sheet

SEK million	2019
Property, plant and equipment	255
Non-current assets	255
Retained earnings	-4
Equity	-4
Interest-bearing liabilities	207
Non-current liabilities	207
Interest-bearing liabilities	52
Current liabilities	52

Consolidated cash flow statement

SEK million	2019
Operating profit	7
Depreciation and impairment charges	52
Cash flow from operating activities	59
Interest paid and received	-12
Repayments of loans	-47
Cash flow from financing activities	-59
Cash flow for the year	-

Reconciliation between future minimum lease payments at 31 December 2018 according to the annual report for 2018 and lease liabilities at 1 January 2019 is presented below.

SEK million	2019
Future minimum lease payments at 31 December 2018	337
Discount effect	-64
Short-term leases and leases of low-value assets	-3
Extension and termination options	0
Lease liabilities recognized at 1 January 2019	270

The expense related to variable lease payments not included in the lease liabilities is not significant.

IFRIC 23 Uncertainty over income tax treatments

The interpretation is effective from 1 January 2019 and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation has not had an impact on the Group's result or financial position.

No standards, amendments and interpretations which became effective for financial years beginning after 1 January 2019 have been applied in preparing these financial statements.

4 ACCOUNTING STANDARDS

Revenue from contracts with customers

Revenue is recognized to depict the transfer of promised goods or services to Gränges customers in an amount that reflects the consideration which expects to be entitled to in exchange for those goods or services.

Gränges mainly sells rolled products for heat exchangers and selected niche applications. Revenue is generated through sale of material that is produced for a certain customer and application. Revenue is recognized at the point in time when control is transferred to the customer.

The transaction price for Gränges' products is based on the added value Gränges offers in terms of material properties and production complexity (fabrication price), and the price of the raw material, aluminium (metal price). The cost of the aluminium is mainly passed on to the customer through metal price clauses where the aluminium price is usually determined in connection with the delivery. Commodity price risk is described in Note 28.

In determining the transaction price for Gränges' products the Group considers the effect of variable consideration. The variable consideration (early payment discounts and retrospective volume discounts) is estimated at contract inception and included in the transaction price only to the extent that it is highly probable that a significant reversal of accumulated revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, Gränges updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained).

Other revenue is limited and primarily refer to rental revenue from properties owned by Gränges AB. The rental revenue is recognized on a straight-line basis over the lease term.

Gains or losses on the sale of property, plant and equipment are accounted for as "Other operating revenues" or "Other operating expenses" and are included in the income statement.

>> CONT. NOTE 4

Statement of comprehensive income

The statement of comprehensive income includes items which are recognized in equity but which are not included in the regular profit or loss for the period. The items in the statement are actuarial gains and losses on pensions, changes in the hedging reserve in hedging transactions and currency translation effects.

Assets

Intangible assets

The Group has expenses for research and development. Expenditure for research is carried as a cost immediately while expenditure for development is recognized as an intangible asset if the underlying economic factors are identifiable and represent future economic benefits controlled by the Group.

The Group is running a large number of development projects but the criteria for recognizing the projects as intangible assets are currently not met as the future economic benefits for the company cannot be identified and because it is not possible to obtain any degree of certainty during the development phase of the intangible assets.

Capitalised expenditure for internally generated or specially adapted software is recognized as intangible assets. These are depreciated on a straight-line basis over 10 years.

The customer relationships acquired as part of business combination are recognized at their fair value at the date of acquisition and are amortized on a straight-line basis over their estimated useful lives of 20 years.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of the cash-generating unit to which the goodwill is attributed to is compared with the recoverable amount, which is the highest of the value in use and the fair value less cost of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Other acquired intellectual property rights are amortized over the time of the rights.

Property, plant and equipment

Property, plant and equipment are tangible, long-lived assets which are intended for the production or delivery of goods or for administrative purposes. They are stated at cost in the balance sheet less accumulated depreciation and impairment. Maintenance of assets is recognized in operating expenses when the maintenance is carried out while more significant periodic maintenance and expenses for replacements and improvements are accounted for as an investment and added to the cost of the assets.

To distribute the cost down to the estimated residual value, items of property, plant and equipment are depreciated on a straight-line basis, divided into different components, over their useful lives using the following percentage rates:

- buildings and land improvements 10–40 years,
- machinery, inventory and installations 5–30 years,
- fixtures and vehicles 5–20 years,
- IT equipment 5 years.

Useful lives and residual values of assets are reviewed each year and adjusted where required.

If the residual value exceeds the carrying amount no further depreciation charges are recognized. This applies especially to buildings. If there are indications of impairment of an asset, the asset is written down to its recoverable amount if this is lower than the carrying amount. The recoverable amount is the higher of net realisable value and value in use.

Loan expenses in connection with the production of the Group's own property, plant and equipment are recognized as part of the cost of the asset.

Right-of-use assets

Carrying amounts for right-of-use assets and lease liabilities are based on cash flows at present value during expected contract periods. Discount rates are determined on the basis of assumptions regarding interest rates for loans during the corresponding period and with corresponding collateral. Right-of-use assets with contracts shorter than 12 months or which terminate within 12 months from the

transition date are classified as short-term contracts and are therefore not included in the reported liabilities or rights of use. In addition, rights of use for office equipment or other low-value assets have also been classified as low-value contracts and are not included in the reported liabilities or right-of-use assets.

Right of use assets are depreciated from the commencement date of the contract and follow the depreciation period that is the shortest of the economic life or the contract period. At the commencement of a new lease agreement, an assessment is made whether it is reasonable or not to exercise an option to extend the lease, or the use of the opportunity to purchase the underlying assets, or utilize early termination. This means that Gränges as a lessee itself determines which contract length is considered reasonable instead of taking into account the termination clause in the agreements.

Inventories

Inventories are measured at the lower of cost and net realisable value. Purchased goods are measured at cost in accordance with the FIFO principle while own-produced finished goods and products in progress are measured at production cost. A deduction is made for obsolescence. The net realisable value is the estimated selling price less selling costs. For a description of inventories as hedged item in a fair value hedge see "Fair value hedging", under section "Financial Instruments".

Cash and cash equivalents

Cash and cash equivalents comprise cash and cash equivalents with maturities of up to three months and only subject to insignificant changes in value.

Provisions and liabilities

Pensions

The Gränges Group's pension system in Sweden and US primarily consists of defined contribution plans, but also of some defined benefit plans.

For defined contribution pension plans the company has a responsibility to make contractual payments for its employees' future pensions. Future pensions are determined by the size of contributions and the return on the plan assets. After the contributions have been paid the company has no further payment obligations under the defined contribution plan. No provisions are therefore made in the balance sheet.

The company's pension costs for its defined contribution plans consist of payments to employees' pension plans during the reporting period and are accounted for as payroll expenses.

Defined benefit pension plans are based on a promise from the company to the employees that they will receive a certain pension upon retirement, normally defined as a percentage of their final salary. The company is responsible for the size of the future pension benefit and the economic value of this obligation are recognized in the income statement and balance sheet.

The liability or asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For the Swedish plans, mortgage bonds are used to determine the discount rate.

The cost relating to service during the current period is accounted for as payroll expenses. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in financial costs in the income statement.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Provisions

Provisions are recognized for potential loss-making contracts and for restructuring when the decision to restructure is made. Provisions do not cover any potential future operating losses. As regards restructuring reserves, there must exist a detailed plan identifying which

>> CONT. NOTE 4

operations will be restructured as well as a well-founded expectation among those affected by the restructuring. It must also be possible to reliably estimate the cost of the restructuring. The outcome of the Group's long term incentive programme (LTI) is dependent on the Granges' share's total return and is reported as provision.

Provisions are calculated based on the best estimate of expected costs. If the effect is significant, expected future cash flows will be discounted.

Contingent liabilities and contingent assets

A contingent liability or contingent asset is a potential obligation or potential asset whose existence is uncertain and which will be confirmed by the occurrence or non-occurrence of a specific future event, such as the out-come of legal proceedings or the final settlement of an insurance claim. If the probability that the liability has been incurred exceeds 50 per cent a provision is recognized in the balance sheet. If the probability is lower a contingent liability is shown as an additional disclosure in the financial statements, unless the probability of an outgoing payment is remote. An asset is only recognized in the balance sheet if it is highly probable that the Group will receive the asset. Disclosures regarding contingent assets are given where an inflow of resources is probable.

Tax

Income tax is the sum of current tax and changes in deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. Current tax is recognized at the amount that is expected to be paid to the tax authorities based on the taxable income that is reported for the units included in the consolidated financial statements. The income tax is determined using tax rates that have been enacted on the balance sheet date.

Deferred tax in the balance sheet has been calculated at the nominal tax rate based on temporary differences for assets and liabilities at the balance sheet date.

A provision for deferred tax on retained earnings in foreign subsidiaries is recognized to the extent that it is likely that the dividend will be distributed in a near future.

Deferred tax assets are reviewed continually and recognized in the balance sheet only to the extent that it is likely that future taxable profits can be used.

Deferred tax liabilities and deferred tax assets are offset insofar as this is possible under local tax laws and regulations.

Financial instruments

The Group's financial assets consists of cash and cash equivalents loans and accounts receivable as well as derivatives. Purchases and sales of financial assets are recognized at the transaction date, which is the date when the Group undertakes to buy or sell the asset. Accounts receivable are recognized when the invoice has been sent. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred essentially all risks and benefits associated with ownership to another party.

The Group's financial liabilities comprise of borrowings and accounts payable as well as derivatives. Financial liabilities are recognized in the balance sheet when the counterparty has performed and a contractual obligation to pay exists. Accounts payable are recognized when the invoice has been received. Financial liabilities are derecognized from the balance sheet when the contractual obligation has been fulfilled or in some other way is extinguished.

Financial instruments are initially recognized at fair value plus transaction costs, which applies to all financial assets and liabilities that are not measured at fair value through profit and loss. These are initially recognized at fair value excluding transaction costs.

Financial assets and liabilities are in general not netted even when there is a legal right of netting the carrying amounts and an intention to settle them by a net amount or to simultaneously realize the asset and settle the liability. The legal right must not depend on future events and must be legally binding for the company and the counterparty both in case of normal business activities and in the event of default, insolvency or bankruptcy.

Interest income and interest expense are recognized using the effective interest method and accounted for under "Financial income" and "Finance expense" respectively.

Derivatives

Derivatives are classified either as measured at fair value through profit and loss or as hedging instrument for which hedge accounting is applied. Derivatives are measured at fair value at the balance sheet date and accounted for as assets or liabilities. Gains and losses on changes in fair value are recognized in profit or loss when the derivative is not part of a hedge relationship which meets the criteria for hedge accounting. Purchases and sales of derivatives are recognized at the transaction date.

Financial assets at amortized cost

The business model for the financial assets in this category is to receive contractual cash flows, which have been assessed to only consist of payments of principal and interest. Assets in this category comprise of accounts receivable and other receivable as well as cash and cash equivalents. They are included in current assets, with the exception of items maturing later than twelve months from the end of the reporting period, which are classified as non-current assets.

Accounts receivable are always classified as current assets. The assets in this category are carried at amortized cost in the balance sheet applying the effective interest rate method. Accounts receivable are measured at the amount expected to be paid, that is after deducting expected credit losses.

The Group applies an impairment model based on forward-looking expected credit losses (ECL). The ECL allowance applies to all items (from initial recognition). An analysis of expected credit losses is performed using a provision matrix adjusted for the market location of the customer to measure expected credit losses, where historical, current and forward-looking factors are taken into consideration.

The ECL allowance is based on the life-time ECL for all accounts receivables.

Expected credit losses are calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For accounts receivables expected credit losses are calculated without discounting. The asset's carrying amount is written down and the impairment loss including future changes in expected credit losses are recognized in the consolidated income statement.

The Group define credit-impaired assets as assets which are past-due more than 90 days or assets with other observable information indicating a measurable decrease in estimated future cash flows.

Accounts payable

Accounts payables are obligations to pay for goods or services which have been acquired from suppliers or service providers in the course of the company's operating activities. Accounts payable are classified as current liabilities and are measured at amortized cost.

Borrowings (loans)

Borrowings are initially recognized at fair value, net of transaction costs. Subsequently loans are carried at amortized cost and any difference between the amount received (net of transaction costs) and the amount repayable is recognized in the income statement over the term of the loan by applying the effective interest method.

Lease liabilities

Leasing liabilities are based on calculated present value of payments during expected contract periods. Primarily the discount rate is based on implicit rate in the agreement. When implicit rate cannot be identified, the marginal loan interest rate is used instead, which corresponds to the interest rate the company would be offered if the acquisition was financed with loans from a financial institution.

Hedge accounting

The Group uses the following criteria for classifying a derivative or other financial instrument as a hedging instrument: (1) the hedging instrument is expected to be very effective in offsetting changes in the fair value of or cash flows for an identifiable item (hedged item), (2) the hedge efficiency can be reliably measured, (3) satisfactory documentation is drawn up before the hedging instrument is acquired

>> CONT. NOTE 4

showing, in particular, that the hedge relationship is effective, (4) in case of the use of cash flow hedges, that the future transaction is deemed to be highly probable, and (5) the hedge relationship is reviewed on a regular basis.

Gains and losses on the hedging instrument are recognized in the income statement at the same time as gains and losses from the hedged item.

Fair value hedging

Changes in the fair values of derivatives designated as hedging instruments are recognized immediately in the income statement. Changes in the fair value of the hedged item (inventory) relating to the hedged risk are recognized in the income statement in the same way and are recognized as an adjustment on the hedged item's carrying amount. Hedge accounting is discontinued if: (a) the hedge instrument has expired, been terminated, exercised or sold or (b) the hedge no longer meets the aforementioned criteria for hedging. In the case of a discontinued hedge, changes in the fair value of the hedged item are recognized in the balance sheet until the hedged item (inventory) is recognized as cost of materials in the income statement.

Cash flow hedges

The effective portion of changes in the fair value of the hedging instrument is recognized in other comprehensive income and accumulated in the hedging reserve until the hedged transaction is executed. At that time the accumulated gains or losses on the hedging instrument will be reclassified to the income statement. The ineffective portion of the hedging instrument is recognized immediately in the income statement. When a hedging instrument has expired, been sold, exercised or terminated, the accumulated gains or losses will remain in the hedging reserve and will be recognized in the income statement upon execution of the hedged transaction. If the hedged transaction is no longer expected to occur, the accumulated gain or loss on the hedging instrument will be recognized immediately in the income statement.

Segments

The reporting of operating segments is consistent with the internal reporting submitted to the highest executive decision maker, which consist of the CEO. The business operation is characterized by strong integration between the different regions to maximize the Group's profitability. Operations are monitored on a global market, and the Group thus reports only one segment in line with IFRS 8.

For information on the geographic distribution of non-current assets, sales revenue and the average number of employees, see Note 6.

Other principles

Cash flow

The cash flow statement, which has been prepared using the indirect method, shows cash flows from operating activities, investing activities and financing activities, and explains changes in "Cash and cash equivalents" for the reporting period.

Acquisitions

The acquisition method is used to account for the acquisitions of subsidiaries and operations. All payments to acquire a business are recorded at fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

Government grants

Government grants are recognized in the financial statements when it is a reasonable assurance that the grant will be received. The grants are accounted for either as income or a reduction of expenses, and are in the latter case matched with the expenses which they are intended to compensate for. Government grants attributable to assets are accounted for as a reduction of the cost of the asset. The grant reduces the depreciation of the asset.

5 SIGNIFICANT ACCOUNTING ASSESSMENTS AND ASSUMPTIONS

In preparing Gränges' consolidated accounts, it is necessary to make a number of assessments and assumptions which can influence the carrying amounts of assets and liabilities. Future events and changes in operating parameters may make it necessary to make other assessments and assumptions. When preparing the financial state-

ments, management makes its best assessments in areas of significant importance. Accounting items where changes in assessments and assumptions would have a significant impact on the consolidated financial statements during next financial year are:

Accounting item	Note	Assessments and assumptions that are of significant importance for carrying amounts
Right-of-use assets and lease liabilities	3, 19	As of 1 January 2019, IFRS 16 Leases is adopted. The value of identifiable right-of-use assets and lease liabilities are based on the present value of future payments during the expected contract periods. The discount rate is set based on assumptions in interest rates for loans during the corresponding period and with corresponding collateral.
Pension liability	9	The present value of the pension obligations depends on a number of factors which are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net pension expense (income) include the discount rate.
Taxes	15	The tax rate in China depends on whether Gränges qualifies as a high technology company. This qualification entails an income tax rate of 15 per cent instead of the ordinary rate of 25 per cent. However, to obtain the classification special requirements established need to be met and approved by local authorities. Gränges considers it to be more likely than not that the special requirements will be met for the financial year 2019 and therefore applies a tax rate of 15 per cent for the Chinese operation for 2019.
Intangible assets	17	Impairment test for goodwill is carried out annually or throughout the year if an event occurs that may result in the need for impairment. Important assumptions on the basis of impairment testing are forecasts of future cash flows, which include assumptions for sales growth and operating margin. The discount rate is set based on assumptions about weighted average cost of capital. Other intangible assets are amortized on a straight-line basis over the estimated useful life, and therefore a changed assessment of the useful life entails a change in carrying amount.
Tangible assets	18	Depreciation of tangible assets is recorded over the estimated useful life of components or tested for impairment in an indication of impairment is identified. Changes in assumptions regarding the recoverable amount and estimated useful life may lead to significant changes in value. Ongoing expansion investments regarding the production facilities are essential in their nature. Depreciation begins when the new facilities are put into use and the balance sheet's valuation and accounting are dependent on compliance with timetables and investment calculations.
Inventories	20	Valuation of production costs is done using calculation models based on current prices and cost levels, where direct and indirect production-related costs are attributed to manufactured products. For estimation of obsolescence, assumptions and assessments are based on the turnover rate and how sellable the inventory is.

6 GEOGRAPHIC BREAKDOWN OF NET SALES, NON-CURRENT ASSETS AND AVERAGE NUMBER OF EMPLOYEES

Net sales are distributed regionally based on where the customers are located. Non-current assets and the average number of employees are based on where Gränges is located.

2019 SEK million	Sweden	Rest of Europe	China	Rest of Asia	USA	Rest of Americas	Total
Net sales	299	1,793	1,854	882	5,718	1,433	11,978
Non-current assets ¹⁾	1,045	42	954	1	3,933	–	5,975
Average no. of employees	518	8	513	8	758	–	1,805

2018 SEK million	Sweden	Rest of Europe	China	Rest of Asia	USA	Rest of Americas	Total
Net sales	367	2,057	1,991	1,013	6,128	1,354	12,910
Non-current assets ¹⁾	702	43	946	0	2,721	–	4,412
Average no. of employees	500	–	517	8	675	–	1,699

1) Excluding deferred tax assets, interests in joint ventures, interest-bearing receivables and other non-current receivables.

The ten largest customers accounted for 53 per cent (48) of sales. No customers accounted for more than 10 per cent of total sales in 2019 or 2018.

7 REVENUE FROM CONTRACTS WITH CUSTOMERS

Gränges mainly sells rolled products for heat exchangers and selected niche applications in different regions. Gränges' customers are in the automotive industry, the HVAC industry and niche markets such as transformers and food packaging.

The transaction price for Gränges' products is based on the added value Gränges offers in terms of material properties and production complexity (fabrication price), and the price of the raw material, aluminium. The fabrication price is fixed while the aluminium price is variable and based on metal price clauses connected to the market price.

Sales by region

SEK million	2019	2018
Asia	2,736	3,004
Europe	2,074	2,403
Americas	7,150	7,482
Total revenue from contracts with customers	11,960	12,889
Other revenue	18	21
Net sales	11,978	12,910

Sales by market

SEK million	Fabrication revenue		Raw material and other revenue		Total	
	2019	2018	2019	2018	2019	2018
Automotive	2,925	3,117	3,267	3,754	6,192	6,870
HVAC & Other	2,074	1,907	3,694	4,111	5,768	6,019
Total revenue from contracts with customers	4,999	5,024	6,961	7,865	11,960	12,889
Other revenue	–	–	18	21	18	21
Net sales	4,999	5,024	6,978	7,886	11,978	12,910

Other revenue is limited and primarily refer to rental revenue from properties owned by Gränges AB. Rental revenue has not been classified as revenue from contracts with customers and is recognized in other revenue in the tables above.

In determining the transaction price for Gränges' products the Group considers the effect of variable consideration. The variable consideration (early payment discounts and retrospective volume discounts) is estimated at contract inception and included in the transaction price only to the extent that it is highly probable that a significant reversal of accumulated revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The variable consideration is recognized as accrued expenses in the balance sheet.

The fabrication price allocated to the remaining (unsatisfied or partially unsatisfied) performance obligations in contracts with customers is shown in the table below.

Remaining performance obligations at 31 December

SEK million	2019	2018
Within 1 year	4,421	4,358
After 1 year but within 2 years	2,770	3,203
After 2 years	1,044	2,896
Total¹⁾	8,235	10,457

1) Corresponding to sales volume of 618.8 ktonnes (857.4).

Since the raw material price is variable, based on metal price clauses, Gränges only discloses the amount of fabrication price allocated to the remaining performance obligations in contracts with customers.

8 PAYROLL EXPENSES

Average number of employees

	2019		2018	
	Average no. of employees	Of which, women	Average no. of employees	Of which, women
Gränges AB				
Sweden	29	9	31	10
Subsidiaries				
Sweden	489	93	469	90
China	513	58	517	58
US	758	88	675	82
Other countries	16	2	8	1
Group total	1,805	251	1,699	241

Board members and other senior executives

	2019		2018	
	No. at balance sheet date	Of which, women	No. at balance sheet date	Of which, women
Board members	7	3	7	3
CEO, deputy CEO and other senior executives	8	1	8	1

Salaries, remuneration, social security contributions and pension costs

SEK million	2019			2018		
	Salaries and remuneration (of which, variable portion) ¹⁾	Social security contributions	Pension cost	Salaries and remuneration (of which, variable portion) ¹⁾	Social security contributions	Pension
Gränges AB						
Board, CEO, deputy CEO and other senior executives	-31 (-15)	-11	-6	-31 (-15)	-11	-5
Other employees	-35	-12	-7	-33	-10	-6
Subsidiaries						
Other senior executives	-24 (-13)	-2	-1	-20 (-11)	-2	-1
Other employees	-957	-256	-69	-918	-175	-57
Group total	-1 046	-281	-83	-1,002	-198	-70

1) During 2019 SEK 2 million (3) has been received in government grants for Americas. The grant has reduced the payroll expenses.

Salaries and other remuneration to the Board members, CEO, deputy CEO and other senior executives

Board members

In 2019 the Board of Directors consisted of seven members, elected by the Annual General Meeting. All members are independent from the company and the company's main owners. Two employee representatives and two deputy employee representatives are also represented on the Board.

The Chairman and the other six members of the Board receive Directors' fees in accordance with the resolutions adopted by the annual general meeting.

CEO and other senior executives

The remuneration paid to the CEO, deputy CEO and other senior executives consists of a basic salary, variable remuneration, other benefits and pension. Senior executives refer to the members of Group Management directly reporting to the CEO. During 2019 seven of the members were employed by the Group while the SVP Communications is an external consultant as interim solution. SVP Communications is not included in number of employees or in salaries but in number of senior executives at balance sheet date, and in the table for remuneration and other benefits.

The basic salary for the CEO is deliberated in the Remuneration committee and adopted by the Board of Directors. For all other employed

senior executives including deputy CEO the salaries are decided by the CEO with the support of the Chairman of the Board. The variable remuneration is based on results achieved in relation to defined targets and is made up of two components, a short-term incentive programme (STI) and a long-term incentive programme (LTI). Several long-term incentive programmes can run in parallel.

The contract between the company and the CEO stipulates a mutual twelve-month period of notice. Additionally, in the case of termination by the company, severance pay is payable without deduction for an additional twelve months. The contracts between the company and the deputy CEO, and other members of the Group Management stipulates a mutual six-month period of notice. Additionally, in the case of termination by the company, severance pay is payable for an additional twelve months, without deduction for the first six months.

Pension

The retirement age for the CEO is 65 years. The CEO has a direct pension in form of a company-owned endowment insurance. The premiums to the endowment insurance amounts to 35 per cent of the basic salary for the CEO. For other senior executives, including the deputy CEO, the retirement age is 60–65 years depending on the country of employment and both premium-based and defined-benefit-based obligations exist.

>> CONT. NOTE 8

Remuneration and other benefits in 2019

SEK million	Basic salary/ Directors' fee	Short-term incentive pro- gramme (STI) ¹⁾	Long-term incentive programmes (LTI 2018, 2017 and 2016)	Total variable remuneration	Other benefits	Pension cost	Total
Board of Directors							
Anders G. Carlberg	-0.7	-	-	-	-	-	-0.7
Ragnhild Wiborg	-0.4	-	-	-	-	-	-0.4
Hans Porat	-0.3	-	-	-	-	-	-0.3
Carina Andersson	-0.3	-	-	-	-	-	-0.3
Peter Carlsson	-0.3	-	-	-	-	-	-0.3
Katarina Lindström	-0.4	-	-	-	-	-	-0.4
Mats Backman	-0.4	-	-	-	-	-	-0.4
Senior executives							
CEO Johan Menckel	-5.7	-3.5	-3.2	-6.7	-0.2	-1.9	-14.5
Deputy CEO Oskar Hellström	-3.6	-2.2	-1.7	-3.9	-0.3	-2.0	-9.8
Other senior executives (6 individuals)	-15.1	-8.9	-8.4	-17.3	-0.8	-3.2	-36.4
Total	-27.2	-14.5	-13.3	-27.8	-1.3	-7.1	-63.4

Remuneration and other benefits in 2018

SEK million	Basic salary/ Directors' fee	Short-term incentive pro- gramme (STI) ²⁾	Long-term incentive programmes (LTI 2017, 2016 and 2015)	Total variable remuneration	Other benefits	Pension cost	Total
Board of Directors							
Anders G. Carlberg	-0.6	-	-	-	-	-	-0.6
Ragnhild Wiborg	-0.4	-	-	-	-	-	-0.4
Hans Porat	-0.3	-	-	-	-	-	-0.3
Carina Andersson	-0.3	-	-	-	-	-	-0.3
Peter Carlsson	-0.3	-	-	-	-	-	-0.3
Katarina Lindström	-0.3	-	-	-	-	-	-0.3
Mats Backman	-0.2	-	-	-	-	-	-0.2
Senior executives							
CEO Johan Menckel	-5.5	-3.3	-2.9	-6.2	-0.1	-1.9	-13.6
Deputy CEO Oskar Hellström	-2.8	-1.7	-1.5	-3.2	-0.2	-1.4	-7.7
Other senior executives (6 individuals)	-14.5	-10.3	-6.3	-16.6	-0.8	-2.5	-34.4
Total	-25.3	-15.4	-10.6	-26.0	-1.2	-5.7	-58.2

1) The amounts are attributable to 2019 but will be disbursed in 2020.

2) The amounts are attributable to 2018 but were disbursed in 2019.

Variable remuneration

Short-term incentive programme (STI)

The remuneration from STI is determined by a number of parameters consisting of financial key ratios for the Group, such as adjusted operating profit and cash conversion, and individual pre-determined targets.

Remuneration under STI 2019 may not exceed 60 per cent of the total basic salary paid to the CEO, deputy CEO and to the other members of Group Management, except for the person holding position as President Americas, whom may obtain 100 per cent of the total basic salary.

Long-term incentive programmes (LTI 2018, LTI 2017 and LTI 2016)

Gränges' long-term incentive programmes are offered to the company's senior executives and certain selected key persons. The incentive programmes aim to promote and encourage loyalty to the company by aligning personal objectives and interests with the shareholders' interest of strong share price performance and a good dividend.

The programmes are designed so that an amount corresponding to the outcome from STI for each year and participant is set aside in a so-called LTI bank. The costs for the long-term incentive programs are provided for during the performance years and are shown in the tables Remuneration and other benefits. Provided that the participant is still employed by Gränges, one third of the amount for LTI 2016 is paid per year during 2018, 2019 and 2020, for LTI 2017 during the years 2019, 2020 and 2021 and for LTI 2018 during the years 2020, 2021 and 2022. The payments are adjusted for the total return of the Gränges share. The total payment of LTI and STI in any one year is limited to 1.5 times an annual salary, except for the person holding position as President Americas, for whom such total payout is limited 2.0 times the annual salary.

Other benefits

Other benefits mainly consist of company cars and medical benefits.

9 PENSIONS

Gränges has pension plans in Sweden and the US. Approximately 72 per cent (76) of the employees in Sweden are covered by defined contribution pension plans, with the remainder covered by defined benefit plans. All permanent full-time employees in the US are eligible for the defined contribution plan. Approximately 18 per cent (23) of permanent full time employees in the US are eligible for the defined benefit pension plan.

Defined contribution plans

Employees of Gränges in the Swedish and American operations are mainly covered by pension plans classified as defined contribution plans. Defined contribution plans are arrangements in which the company pays annual contributions to its employees' pension plans and where future pensions are determined by the amount of contributions paid and the return on the pension assets. In Sweden employees covered by a collective bargaining agreement have defined contribution pension plans, as do salaried employees born after 1979 under the ITP1 supplementary pension plan.

Defined benefit plans

The defined benefit pension plan in Sweden applies for salaried employees covered by the ITP2 supplementary pension plan, based on a collective agreement between the Confederation of Swedish Enterprise and the trade unions for salaried employees in the private sector. The pension plan is a net plan under which the pension obligation is not linked to changes in Swedish social insurance schemes. Under the applicable collective agreement, all salaried employees born in 1979 or after are covered by a defined contribution plan. This means that the scope of the defined benefit plan will be reduced over time. The group also operates defined benefit pension plans for hourly union employees in the US under broadly similar regulatory frameworks. All of the plans are final salary pension plans, which provide benefit to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the Swedish plans, pensions in payment are generally updated in line with the retail price index, whereas in the US plans, pensions generally do not receive inflationary increases once in payment. With the exception of this inflationary risk in Sweden, the plans face broadly similar risks, including the risk of increased life expectancy and sensitivity to changes in interest rates.

Both the Swedish and US defined benefit plans are accounted for as a provision in the balance sheet. Swedish plans are unfunded and

US plans are partially funded. To secure unfunded accrued pension rights of their employees in Sweden, companies need to take out a Credit Insurance Policy with Försäkringsbolaget PRI Pensionsgaranti. PRI Pensionsgaranti also administers and calculates the Group's unfunded pension obligations. The Group's pensions in Sweden are regulated by the Act (1967:531) respecting retirement pensions.

The Gränges Benefits Committee in the US is responsible for the oversight and management of the plans' investments. It has a written Investment Policy. The aim of the investment decisions made by the Committee is to achieve optimal returns while taking into account a reasonable level of risk. Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. An asset liability management assessment is conducted periodically.

Assumptions for defined benefit plans

The assumptions are defined in consultation with professional actuaries. Assumptions on future salary adjustments and sales are specific to the Group. The discount rate is determined by reference to high-quality corporate bonds traded in a well functioning market, which reflect the duration of the pension obligation. In Sweden the discount rate is based on secured mortgage bonds.

Assumptions for defined benefit plans

	Sweden		US	
	2019	2018	2019	2018
Discount rate, %	1.5	2.4	3.2–3.3	2.9–4.5
Future salary adjustments, %	3.0	3.2	4.0	4.0
Income base amount, %	2.7	3.0	n/a	n/a
Inflation, %	1.7	2.0	n/a	n/a
Employee turnover, %	5.0	5.0	4.0–20.0	2.0–15.0
Weighted average remaining duration, years	20.0	19.0	12.0	11.4

The assumptions for life expectancy in Sweden are based on DUS14 life expectancy tables.

The mortality assumption in the US is based on the Pri-2012 (RP-2006) mortality tables, Scale MP-2019 (MP-2018).

Distribution of pension costs

SEK million	Sweden		US		Total	
	2019	2018	2019	2018	2019	2018
Defined contribution plans	-40	-30	-29	-25	-69	-55
Current service costs	-8	-7	-3	-5	-11	-12
Administrative expenses	-	0	-4	-4	-4	-4
Pension costs recognized as operating expenses	-48	-37	-36	-33	-83	-70
Interest on net pension liabilities recognized as a financial expense	-5	-4	-5	-4	-10	-9
Pensions costs recognized in the income statement	-52	-41	-41	-37	-93	-79
Actuarial gains and losses recognized in the statement of comprehensive income	-39	-15	-48	22	-87	8
Return on plan assets greater than discount rate	-	-	49	-33	49	-33
Total pension costs	-92	-56	-40	-48	-132	-104

Distribution of pension liabilities at 31 December

SEK million	Sweden		US		Total	
	2019	2018	2019	2018	2019	2018
Present value of unfunded pension obligations	-250	-200	-118	-118	-368	-318
Present value of funded and partially funded pension obligations	-	-	-356	-297	-356	-297
Funded plan assets	-	-	356	297	356	297
Other pension obligations	4	-4	-	-	4	-4
Total pension liabilities	-246	-203	-118	-118	-363	-321

>> CONT. NOTE 9

Changes in the present value of pension obligations

SEK million	Sweden		US		Total	
	2019	2018	2019	2018	2019	2018
Pension obligations at 1 January	-203	-177	-415	-405	-618	-582
Current service costs	-8	-7	-3	-5	-11	-12
Interest on pension provision	-5	-4	-18	-16	-22	-20
Actuarial gains and losses recognized in the statement of comprehensive income:						
– due to changes in financial assumptions	-36	-12	-53	27	-88	16
– due to changes in demographic assumptions	-	-	2	1	2	1
– due to experienced-based adjustments	-4	-3	3	-7	-1	-10
Benefits paid during the year	5	5	28	25	33	30
Other pension costs	4	-4	-	-	4	-4
Translation differences	-	-	-18	-37	-18	-37
Pension obligations at 31 December	-246	-203	-474	-415	-719	-618

Changes in the present value of plan assets

SEK million	Sweden		US		Total	
	2019	2018	2019	2018	2019	2018
Plan assets at 1 January	-	0	297	306	297	306
Administrative expenses	-	0	-4	-4	-4	-4
Interest on plan assets	-	-	13	12	13	12
Return on plan assets greater than discount rate	-	-	49	-33	49	-33
Employer contributions	-	-	17	13	17	13
Benefits paid during the year	-	0	-28	-25	-28	-25
Translation differences	-	-	13	28	13	28
Plan assets at 31 December	-	-	356	297	356	297
Net pension liabilities	-246	-203	-118	-118	-363	-321

Distribution of plan assets

SEK million	Sweden		US		Total	
	2019	2018	2019	2018	2019	2018
Equity instruments	-	-	137	107	137	107
Interest-bearing securities	-	-	192	168	192	168
Real estate	-	-	20	15	20	15
Cash	-	-	7	7	7	7
Total plan assets	-	-	356	297	356	297

Sensitivity analysis of the effect on the pension liabilities (+increase/-decrease in pension liabilities)

SEK million		Sweden	US	Total
Discount rate, %	+0.5	-21	-24	-45
	-0.5	24	27	51
Increased/decreased life expectancy, years	+1	10	19	29
	-1	-10	-20	-30

The sensitivity analysis is based on a change in an individual actuarial assumption while other assumptions remain unchanged. This method shows the obligation's sensitivity to a single assumption. This is a simplified method, as actuarial assumptions are normally correlated.

Defined benefit pension liabilities terms

SEK million	Sweden	US	Total
Benefits scheduled for disbursement within 12 months	5	28	32
Benefits scheduled for disbursement within 1–5 years	25	116	141
Benefits scheduled for disbursement after 5 years or more	268	143	411

Contributions to plans for post-employment remuneration are estimated at SEK 23 million for the financial year 2020.

10 REMUNERATION TO AUDITORS

SEK million	2019	2018
EY		
Audit engagement	-6.5	-5.5
Audit services in addition to audit engagement	-0.7	-0.7
Tax advisory services	-0.2	-0.3
Other services	-0.1	-0.1
Total remuneration to auditors	-7.5	-6.6

Audit engagement refers to the examination of the annual report and accounting records and of the Board of Directors and CEO's management of the company, other tasks incumbent on the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit services in addition to audit engagement is mainly related to review of interim reports.

Tax advisory services include advice on tax, including transfer pricing issues, as well as value-added tax.

Other services refer to advice that is not attributable to any of the aforementioned categories of services.

11 OTHER OPERATING EXPENSES

SEK million	2019	2018
Energy and utility expenses	-396	-393
Freight expenses	-329	-335
Repair and maintenance expenses	-249	-277
Consumable material	-160	-189
Consultant fees	-195	-167
Rental/leasing	-	-50
Travel expenses	-41	-44
Vehicle operating expenses	-31	-32
Insurance	-31	-28
Other	-189	-232
Total other operating expenses	-1,621	-1,747

12 ITEMS AFFECTING COMPARABILITY

SEK million	Financial statement line	2019	2018
Merger and acquisition costs	Items affecting comparability	-16	-
Restructuring costs	Items affecting comparability	-14	-
Inventory effect due to changed distribution model	Cost of materials	-	-64
Total items affecting comparability		-30	-64

In November 2019, Gränges signed an agreement to acquire the Polish flat rolled aluminium producer Aluminium Konin. The transaction is subject to regulatory approval by the relevant competition authorities. The costs for acquisition activities during 2019 for Konin amounts to SEK 16 million.

Restructuring costs of SEK 14 million relates to manning reductions, mainly within the Swedish operation. All negotiations with employees affected by the manning reduction were completed in 2019.

Items affecting comparability for 2018 relates to costs due to changed distribution model for import of heat exchanger materials to Gränges' customers in North America.

13 JOINT ARRANGEMENTS

Gränges reports two joint arrangements, Shanghai Gränges Moriyasu Aluminium Co Ltd and Getek GmbH.

Shanghai Gränges Moriyasu Aluminium Co Ltd provides stamping capacity for Gränges' customers in China. Gränges owns 50 per cent. The holding is classified as a joint venture and is accounted for using the equity method.

Gränges owns 51 per cent of Getek GmbH. The company produces aluminium billets using advanced spray-forming technology and has two production sites, one in Germany and one in France.

Getek is jointly owned with Erbslöh Aluminium GmbH, which owns 49 per cent of the company. The terms of the shareholder agreement require consent of the parties in relevant activities. This activity is classified as a joint operation and the Group recognizes its direct right to jointly owned assets, liabilities, revenues and expenses. Gränges holds an option to acquire the remaining 49 per cent of Getek, but the option is currently not considered to be of any significant value.

No significant capital injections are deemed to be required in the joint arrangements during 2020.

Investments accounted for in accordance with the equity method

SEK million	Shanghai Gränges Moriyasu Aluminium
Carrying amount at 1 January 2019	10
Acquisitions/sales	-
Share of profit/loss	1
Dividend	-
Tax	-
Translation differences	0
Carrying amount at 31 December 2019	12
Carrying amount at 1 January 2018	7
Acquisitions/sales	3
Share of profit/loss	0
Dividend	-
Tax	-
Translation differences	0
Carrying amount at 31 December 2018	10

The Group has made the assessment that the joint arrangements are not essential and has therefore not provided additional financial information in summary.

14 FINANCIAL INCOME AND COSTS

SEK million	2019	2018
Interest income	7	10
Net foreign exchange gain	1	6
Total financial income	9	15
Interest expense	-119	-107
Net interest expense, pensions	-10	-9
Interest expense on lease liabilities	-12	-
Other financial expenses	-19	-12
Total financial costs	-160	-128
Total financial income and costs	-152	-113

Financial income during 2019 is mainly related to interest income from bank deposits in China. Other financial expenses primarily consisted of cost for financing and bank fees.

15 TAXES

Tax expense

SEK million	2019	2018
Profit before taxes	686	849
Current tax	-9	-139
Deferred tax	-77	-22
Total tax	-86	-161
Tax as % of profit before taxes	12	19

Reconciliation of the Group's tax rate

The following table shows a reconciliation of reported tax and tax calculated on Swedish tax rate of 21.4 per cent. The main tax components are shown below.

SEK million	2019	2018
Earnings before tax multiplied by nominal tax rate in Sweden	-147	-187
Effect of foreign operations with tax rates other than 21.4 % (22.0)	5	-6
Non-deductible expenses	-4	-5
Non-taxable income	3	1
Tax subsidies abroad	11	23
Other income tax paid abroad	-21	-36
Adjustment of tax in respect of prior years	12	-8
Changes in tax legislation	0	1
Release on tax provision in China	54	55
Total tax	-86	-161

Gränges' Chinese subsidiary has for tax purpose received a pre-qualification as a High and New-Technology Enterprise for the three-year period 2019 to 2021. The pre-qualification means that the company preliminarily pays 15 per cent in corporate income tax instead of the ordinary tax of 25 per cent for the period. In order to finally obtain the lower tax rate, the company must meet special requirements established by the authorities in China for each one of the three years. Gränges currently considers it to be more likely than not that the special requirements will be met for the financial year 2019 and therefore applies a tax rate of 15 per cent for the Chinese operation. If the ordinary tax rate of 25 per cent would have been applied the total tax expense would have been SEK 10 million higher during the year.

Tax subsidies abroad mainly refers to superdeduction in China where an enterprise enjoy 175 per cent deduction for eligible research and development expenses for income tax purpose.

Income tax paid abroad mainly consists of paid income tax of SEK -17 million (-26) in China on dividends from the subsidiary in Shanghai to Gränges AB.

Corporate income tax in Sweden was reduced in 2019 from 22.0 per cent to 21.4 per cent. The tax will be further reduced and from 2021 it will amount to 20.6 per cent. Consideration for future tax reductions was already considered during 2018 when calculating deferred tax and the impact on the year's tax expense has been insignificant.

During 2019 a tax liability of SEK 54 million was dissolved related to final approval of High and New-Technology Enterprise for the financial year 2018 for the Chinese operation.

Deferred tax

Deferred tax consists of the Group's tax items, which are settled in the future. The table below specifies deferred tax assets and tax liabilities relating to temporary differences between the carrying amounts and tax bases of assets and liabilities.

Deferred tax on temporary differences

SEK million	2019			2018		
	Deferred tax asset (+)	Deferred tax liability (-)	Net deferred tax	Deferred tax asset (+)	Deferred tax liability (-)	Net deferred tax
Intangible assets	-	-63	-63	-	-40	-40
Property, plant and equipment	4	-391	-387	6	-161	-155
Right-of-use assets	1	-	1	-	-	-
Hedging reserve in equity	1	0	1	6	-	6
Net pension provision	39	-12	27	28	-12	16
Other non-current items	48	-4	45	22	0	22
Total non-current items	94	-470	-376	61	-213	-152
Current receivables	4	-	4	5	-	5
Inventories	31	-	30	39	-	39
Other current items	58	0	42	81	-6	76
Total current items	93	-1	76	125	-6	120
Tax losses	188	-	188	11	-	11
Set-off	-346	346	0	-144	144	0
Net deferred tax assets (+) / liabilities (-)	28	-124	-96	54	-76	-22

Deferred tax asset in respect of tax losses have been taken into account in full since the company is of the opinion that sufficient income will be generated in the future to be utilized against the tax losses. The tax losses amount to SEK 895 million (50) per 31 December 2019 and can be carried forward indefinitely. The reason for the increase in tax losses are mainly attributable to direct deductions for investments in the US.

Deferred tax asset on other non-current items mainly refers to interest limitation deductions in US.

Deferred tax asset on other current items mainly refers to accrued expenses in China.

Change in deferred tax in the income statement

SEK million	2019	2018
Change in deferred tax in balance sheet	-74	-6
Change in deferred tax, hedging reserve in other comprehensive income	6	-10
Change in deferred tax, actuarial gains and losses on pensions in other comprehensive income	-8	-6
Translation effects in other comprehensive income	-1	0
Change in deferred tax in the income statement	-77	-22

16 EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit for the year by the weighted average number of outstanding shares. There are no potential shares and hence no dilution effect for 2019. For further information of Gränges' shares, see Note 24.

	2019	2018
Profit for the year (SEK million)	600	688
Weighted average number of outstanding shares, basic	75,517,386	75,517,386
Weighted average number of outstanding shares, diluted	75,517,386	75,517,386
Earnings per share, basic, SEK	7.95	9.11
Earnings per share, diluted, SEK	7.95	9.11

17 INTANGIBLE ASSETS

SEK million	Goodwill	IT	Customer relationships	Other	Total
Carrying amount at 1 January 2019	389	188	183	–	761
Acquisitions	0	73	–	35	107
Amortization	–	–3	–11	–4	–19
Translation differences	15	1	8	–	24
Carrying amount at 31 December 2019	404	259	180	30	874
Cost at 31 December 2019	404	290	216	35	945
Accumulated amortization and impairment	–	–31	–36	–4	–71
Carrying amount at 31 December 2019	404	259	180	30	874
Carrying amount at 1 January 2018	372	91	178	–	640
Acquisitions	0	99	–	–	99
Amortization	–	–1	–10	–	–11
Translation differences	17	–	16	–	33
Carrying amount at 31 December 2018	389	188	183	–	761
Cost at 31 December 2018	389	216	207	–	813
Accumulated amortization and impairment	–	–28	–24	–	–52
Carrying amount at 31 December 2018	389	188	183	–	761

Impairment test of goodwill

Impairment testing for goodwill is made annually or continuously during the year if an event that may result in impairment need arises. The forecast period is five years with an average growth rate of 5.1 (3.5) per cent. Estimated growth rate beyond the forecast period amounts to 2.0 (1.5) per cent. Cash flows have been discounted at a present value using a discount rate calculated at 8.0 (7.9) per cent after tax, corresponding to 8.7 (8.7) per cent before tax. Sensitivity analyses have been performed to evaluate whether reasonable changes in discount rate and the growth rate would indicate need for impairment. No reasonable changes in assumptions or events during the year or after its expiration indicate need for impairment.

IT

IT mainly refers to implementation of new production and ERP systems within the Group.

Customer relationships

The customer relationships arose in conjunction with an acquisition in US during 2016. The acquired business has a number of large customers that they have had long relationships with. The customer relationships are recognized at their fair value at the date of acquisition and are subsequently amortized on a straight-line basis over their estimated useful lives of 20 years.

Other

Other intangible fixed assets consist of acquired intellectual property rights.

The Group is running a large number of development projects but the criteria for recognising the projects as intangible assets are currently not met. Total costs for research and development projects amount to SEK 108 million (93) for 2019.

18 PROPERTY, PLANT AND EQUIPMENT

SEK million	Land, land improvements and buildings	Machinery and equipment	Fixed assets under construction	Fixtures, vehicles, etc.	Total
Carrying amount at 1 January 2019	682	2,250	661	59	3,651
Acquisitions	1	1	1,470	10	1,482
Sales	–	–3	–	–1	–5
Transferred assets, fixed assets under construction	471	1,227	–1,711	13	0
Depreciation	–48	–320	–	–22	–391
Translation differences	8	60	40	0	108
Carrying amount at 31 December 2019	1,114	3,215	459	58	4,846
Cost at 31 December 2018	1,620	6,133	459	271	8,482
Accumulated depreciation and impairment	–506	–2,918	–	–213	–3,637
Carrying amount at 31 December 2019	1,114	3,215	459	58	4,846
Carrying amount at 1 January 2019	661	2,153	218	44	3,076
Acquisitions ¹⁾	0	2	734	8	744
Sales	0	–3	–	–4	–7
Transferred assets, fixed assets under construction	34	240	–302	28	0
Depreciation	–43	–280	–	–19	–342
Translation differences	30	139	10	1	180
Carrying amount at 31 December 2018	682	2,250	661	59	3,651
Cost at 31 December 2018	1,135	4,812	661	250	6,858
Accumulated depreciation and impairment	–453	–2,563	–	–191	–3,207
Carrying amount at 31 December 2018	682	2,250	661	59	3,651

1) Includes government grants for Americas of SEK 45 million. The grant has reduced the acquisitions.

19 RIGHT-OF-USE-ASSETS

SEK million	Land and buildings	Machinery and equipment	Fixtures, vehicles, etc.	Total
Carrying amount at 1 January 2019	60	160	51	270
Acquisitions	–	19	12	32
Extension and termination options	0	0	–	0
Depreciation	–15	–18	–19	–52
Translation differences	1	5	0	5
Carrying amount at 31 December 2019	46	165	44	255
Cost at 31 December 2019	61	183	63	307
Accumulated depreciation	–14	–18	–19	–52
Carrying amount at 31 December 2019	46	165	44	255

The expense related to short-term leases and leases of low-value assets for 2019 amounts to SEK 5 million.

For further information about the transition effect on the implementation of IFRS 16 Leases, cash outflow for leases and interest expense on lease liabilities see Note 3 New accounting standards. For maturity analysis for lease liabilities see Note 28 Financial risk.

20 INVENTORIES

SEK million	2019	2018
Raw materials	509	596
Work in progress	682	615
Finished goods and merchandise	681	821
Derivatives	5	–41
Other	111	12
Provision for obsolescence	–31	–34
Total inventories	1,957	1,968

Inventories are measured at the lower of cost and fair value after deduction of selling costs.

The amount of inventories recognized as an expense is included in cost of materials and amounted in 2019 to SEK 7,620 million (8,536) including the change in the provision for obsolescence of SEK –4 million (8).

21 OVERVIEW OF FINANCIAL INSTRUMENTS

2019 SEK million	Note	Measurement level	Financial instruments at fair value through profit or loss	Derivatives included in hedge accounting	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total	Of which interest- bearing
<i>Non-current assets</i>								
Non-current financial receivables	27, 33	–	–	–	2	–	2	2
Non-current derivatives	29	2	–	3	–	–	3	–
Total			–	3	2	–	5	2
<i>Current assets</i>								
Accounts receivable	22	–	–	–	1,370	–	1,370	–
Other current receivables		–	–	–	223	–	223	–
Current derivatives	22, 27, 29	2	26	11	–	–	37	3
Cash and cash equivalents	23	–	–	–	747	–	747	747
Total			26	11	2,340	–	2,377	750
<i>Non-current liabilities</i>								
Non-current financial liabilities	27	–	–	–	–	2,863	2,863	2,863
Non-current derivatives	29	2	–	0	–	38	38	38
Total			–	0	–	2,901	2,901	2,901
<i>Current liabilities</i>								
Current financial liabilities	27	–	–	–	–	951	951	951
Accounts payable	25	–	–	–	–	1,253	1,253	–
Other current liabilities	25	–	–	–	–	14	14	–
Current derivatives	25, 27, 29	2	31	12	–	1	45	1
Total			31	12	–	2,219	2,263	952
Total financial instruments (receivables + / liabilities –)			–6	2	2,342	–5,120	–2,782	–3,101

2018 SEK million	Note	Measurement level	Financial instruments at fair value through profit or loss	Derivatives included in hedge accounting	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total	Of which interest- bearing
<i>Non-current assets</i>								
Non-current financial receivables	27, 33	–	–	–	–	2	2	2
Non-current derivatives	29	2	–	2	–	–	2	–
Total			–	2	–	2	4	2
<i>Current assets</i>								
Accounts receivable	22	–	–	–	–	1,414	1,414	–
Other current receivables		–	–	–	–	278	278	–
Current derivatives	22, 27, 29	2	71	5	–	–	76	–
Cash and cash equivalents	23	–	–	–	–	457	457	457
Total			71	5	–	2,149	2,225	457
<i>Non-current liabilities</i>								
Non-current financial liabilities	27	–	–	–	2,112	–	2,112	2,112
Non-current derivatives	29	2	4	0	–	–	5	4
Total			4	0	2,112	–	2,117	2,117
<i>Current liabilities</i>								
Current financial liabilities	27	–	–	–	515	–	515	515
Accounts payable	25	–	–	–	1,250	–	1,250	–
Other current liabilities	25	–	–	–	2	–	2	–
Current derivatives	25, 27, 29	2	39	32	–	–	71	–
Total			39	32	1,767	–	1,838	515
Total financial instruments (receivables + / liabilities –)			28	–26	–3,879	2,151	–1,726	–2,173

>> CONT. NOTE 21

Measurement of financial instruments

The Group uses the following hierarchy to determine the fair values of financial instruments:

Level 1: Quoted, unadjusted prices in active markets for identical instruments.

Level 2: Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the instrument.

Level 3: Non-observable inputs that have significant impact on the fair value of the instrument.

Currency forwards

Fair value of currency forward contracts is calculated by discounting the difference between the contracted forward rate and the forward rate that can be contracted on the balance sheet date for the remaining contract period.

Aluminium futures

Aluminium futures are measured at observable quoted prices on LME (London Metal Exchange) and SHFE (Shanghai Futures Exchange) for similar assets and liabilities.

Interest-bearing receivables and liabilities

The fair value of interest-bearing assets and liabilities is provided for disclosure purposes and is estimated by discounting the future cash flows of principal and interest discounted at the current market rate. In the fair value measurement of borrowings the credit spread has remained constant unless there is clear evidence that a change in the Group's creditworthiness has resulted in an observable change in the credit spread. The fair value of borrowings amounted in 2019 to SEK 3,864 million (2,641).

Other receivables and liabilities

For other receivables and liabilities, which are short-term, the carrying amount is considered to reflect the fair value.

No transfers from one level to another in the valuation hierarchy were made in 2019 and 2018.

22 CURRENT RECEIVABLES

SEK million	2019	2018
Accounts receivable	1,370	1,414
Derivatives	34	76
Other current receivables	249	316
Total financial receivables	1,653	1,807
Advances to suppliers/accrued income	79	45
Tax receivables	17	7
Total current receivables	1,748	1,859

Change in provisions for expected credit losses

SEK million	2019	2018
Provisions for expected credit losses at 1 January	-23	-19
Expected credit losses recognized in income statement	2	-5
Used during the year	0	1
Translation differences	0	-1
Provisions for expected credit losses at 31 December	-21	-23

Accounts receivables maturity structure

SEK million	2019	2018
Not yet due	1,056	1,116
Overdue 1-30 days	257	218
Overdue 31-60 days	26	55
Overdue 61-90 days	27	23
Overdue more than 90 days	24	26
Provisions for expected credit losses at 31 December	-21	-23
Accounts receivable, carrying amount at 31 December	1,370	1,414

The maturity structure of overdue receivables has been relatively stable over time and reflects the fact that Gränges operates in certain regions and markets where payments from customers are generally somewhat slow. Overdue accounts receivable are allocated across the whole customer base.

Credit losses have historically been relatively small and stable. Five customers accounted for 28 per cent of total outstanding accounts receivable at 31 December 2019 (five customers accounted for 33 per cent of the total outstanding accounts in 2018).

A more detailed description of the customer base is given in Note 7.

23 CASH AND CASH EQUIVALENTS

SEK million	2019	2018
Cash and bank balances	747	457
Total cash and cash equivalents	747	457

24 SHARE CAPITAL

	2019	2018
Numbers of shares	75,517,386	75,517,386
SEK million	2019	2018
Share capital	101	101

The articles of association for Gränges AB state that the share capital shall be not less than SEK 80,000,000 and not more than SEK 320,000,000. The number of shares shall be not less than 32,000,000 and not more than 128,000,000.

The share capital comprises a single class of share and amounts to SEK 101 million as of 31 December 2019. Share capital is divided into 75,517,386 shares, each with a quota value of SEK 1.339775. For earnings per share and dilutive effect, see Note 16.

25 OTHER CURRENT LIABILITIES

SEK million	2019	2018
Accounts payable	1,253	1,250
Derivatives	43	71
Non-interest-bearing liabilities	14	2
Total non-interest-bearing financial liabilities	1,310	1,323
Value-added tax, employee withholding tax etc.	37	39
Accrued expenses	133	145
Employee-related liabilities	215	241
Other current liabilities	60	34
Total other current liabilities	1,756	1,781

26 CAPITAL MANAGEMENT

Gränges' capital management is governed by principles adopted by the Board of Directors. The capital structure is also adapted to legal and tax considerations. The company's financial objective for capital management is a net debt of one to two times adjusted EBITDA over the past twelve months. A further description of Gränges' management of financing is given in Notes 27 and 28. Gränges does not currently have an official credit rating.

SEK million	2019	2018
Total interest-bearing liabilities	3,853	2,632
Total interest-bearing receivables	5	2
Cash and cash equivalents	747	457
Net interest-bearing liabilities	3,101	2,172
Provision for pensions	363	321
Net debt	3,465	2,494
Adjusted EBITDA	1,327	1,357
Net debt/Adjusted EBITDA	2.6	1.8

For definition and calculation of adjusted EBITDA, see alternative performance measures on page 80.

27 FINANCING AND INTEREST-BEARING LIABILITIES

Financing

Gränges' long-term interest-bearing debt consists of USD term loans of USD 150 million, SEK 200 million and bonds issued in the Group's MTN programme. The duration of the interest-bearing debt portfolio was approximately one month at 31 December 2019. Gränges has revolving credit facilities corresponding to SEK 2,467 million, available in several currencies with a remaining time to maturity of two years. At 31 December 2019 USD 50 million (0) was utilized. Gränges' commercial paper programme was utilized to SEK 900 million (250) at year end 2019. Additional short-term debt amounted to SEK 0 million (265). The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio. The covenants were fulfilled at 31 December 2019.

SEK million	Carrying amount	
	2019	2018
<i>Non-current interest-bearing liabilities</i>		
Interest-bearing loans	1,589	1,512
Bonds in MTN programme	600	600
Revolving Credit Facilities	467	-
Interest-bearing derivatives	38	4
Lease liabilities	207	-
Total non-current interest-bearing liabilities	2,901	2,117
<i>Current interest-bearing liabilities</i>		
Interest-bearing loans	-	265
Commercial papers	900	250
Interest-bearing derivatives	1	-
Lease liabilities	52	-
Total current interest-bearing liabilities	953	515
Total interest-bearing liabilities	3,853	2,632
<i>Interest-bearing receivables</i>		
Non-current interest-bearing receivables	2	2
Current interest-bearing derivatives	3	0
Cash and cash equivalents	747	457
Total interest-bearing receivables	752	459
Net interest-bearing liabilities	3,101	2,172

Gränges has entered into a bridge loan facility of SEK 2,300 million to finance the acquisition of Aluminium Konin. The loan, that was unutilized by December 31, 2019, is subject to extension options and has a maximum tenor of 18 months and is finally due on 27 May 2021.

Under the current loan agreements Gränges has entered into customary undertakings not to pledge assets or in a similar manner use its property to give creditors a better right than the banks providing the credit facility.

28 FINANCIAL RISK

Financial risk management

Gränges operates globally and is therefore exposed to various financial risks - such as market risk related to currency rates, commodity prices and interest rates, but also to liquidity risk and credit risk. Gränges uses derivatives and other financial instruments to mitigate these risks in accordance with the Group's Financial Management Policy.

To secure the Group's short- and long-term financial flexibility and to monitor and manage financial risks are some of the central responsibilities of the treasury department. This is done in cooperation with the operating companies within Gränges.

Financial risk refers to risk related to financial instruments. Financial risks that cannot be mitigated by a natural hedge are hedged with financial derivatives, in line with policies adopted by the Board. Gränges manages financial risks in a non-speculative manner and all transactions in financial derivatives are executed in order to limit financial risks within the Group.

Currency risk

Transaction exposure

Gränges is exposed to currency risk as the currencies of sales and purchases may differ between countries and regions. This may cause fluctuations in the value of financial instruments, such as debt instruments, accounts receivables and accounts payables, and the value of expected and contracted payment flows. In 2019, sales volume to countries outside Sweden accounted for 98 per cent (98) of Gränges' total sales volume while net sales in foreign currencies totalled SEK 11,679 million (12,542). The largest currencies were USD, CNY and EUR.

The selling price for Gränges' products is divided into a metal price component for the raw material and a conversion price component covering Gränges' processing costs and margin. The cost of the alu-

minium is passed on to the customer through metal price clauses and is generally set in connection with delivery. Both purchase and selling price for the metal component are generally based on the same price index and in the same currency, for example the London Metal Exchange (LME) or Shanghai Futures Exchange (SHFE). Therefore, no material currency exposure arises on the metal price component. The conversion price is generally contracted for a longer period of time, and it may result in currency risk exposure.

The largest portion of Gränges' cost base for processing is in USD, CNY and SEK while the conversion price is set primarily in USD, CNY and EUR. The Group's sensitivity to exchange rate fluctuations before currency hedges, that is excluding the impact of currency derivatives, is shown in the table below.

2019	Change, %	Effect on operating profit, SEK million
USD/CNY	+/-10%	+/-54
USD/SEK	+/-10%	+/-35
EUR/SEK	+/-10%	+/-56

The transaction risk is hedged according to the Financial Management Policy. The objective for Gränges' currency hedging activities is to minimize the effect of rapid changes in currency rates in the short and medium term by hedging a part of the Group's foreign currency exposure. Exposures relating to customer orders without firm commitments are hedged up to 24 months out in time based on a rolling forecast in which a portion of the forecast currency exposure is hedged. In 2019, 50-70 per cent of the forecast currency exposure of the coming 12 months was hedged.

The Group's total outstanding currency hedges of future transactions at the balance sheet date are shown in the tables below.

Currency contracts linked to hedging of future income and expenses¹⁾

Maturity 31 Dec 2019	EUR/SEK		USD/SEK		USD/CNY	
	Sold volumes, EUR million net	Price	Sold volumes, USD million net	Price	Sold volumes, USD million net	Price
Q1 2020	15	10.44	9	9.17	15	6.98
Q2 2020	14	10.56	9	9.27	13	6.89
Q3 2020	12	10.60	6	9.54	8	6.90
Q4 2020	8	10.63	3	9.26	6	7.07
FY 2021	15	10.70	-	-	5	7.11
Total	64	10.58	27	9.29	46	6.96
31 Dec 2018						
FY 2019 and FY 2020	82	10.19	31	8.50	63	6.77

Metal related currency contracts linked to hedging of future income and expenses¹⁾

Maturity 31 Dec 2019	EUR/SEK		USD/SEK		USD/CNY	
	Sold volumes, EUR million net	Price	Sold volumes, USD million net	Price	Sold volumes, USD million net	Price
Q1-2 2020	-7	10.58	34	9.54	3	6.98
31 Dec 2018						
Q1-2 2019	-11	10.26	38	8.92	2	6.72

¹⁾ In currency pairs where the net hedged position exceeds SEK 20 million.

>> CONT. NOTE 28

Gränges applies hedge accounting for most hedges of future transactions, either cash flow hedges or fair value hedges of firm commitments. The various types of hedging are described in Note 29.

Translation exposure

As SEK is the presentation currency for the Group, Gränges is exposed to currency risk upon translation of net investments in foreign operations. This refers mainly to CNY and USD, and the total translation exposure was SEK 2,503 million (2,190) at 31 December 2019. Gränges does not hedge this exposure.

Commodity price risk

Aluminium is traded both on LME and on SHFE. The market price of LME and SHFE consequently affects the metal purchase prices for Gränges. This exposure should, where possible, be avoided. Gränges reduces such risk primarily by linking prices from metal suppliers to the prices which are offered to customers. In addition, commodity price risk related to customer orders and inventory are mitigated through forward and futures contracts which reflect the market prices on LME and SHFE.

Gränges normally holds a certain level of inventory for which the sales price has not yet been fixed. The aluminium metal price risk exposure in the inventory is hedged with financial instruments. As per 31 December 2019, Gränges had sold a net volume of 19,875 tonnes (15,725) based on LME and 10,495 (12,190) based on SHFE.

Interest rate risk

Gränges' interest rate risk is primarily related to the Group's interest-bearing liabilities and assets. Gränges' revolving credit facility allows for borrowing with interest terms of one, two, three or six months. The average duration in the loan portfolio at 31 December 2019 was one month (three months). Gränges' loans have variable interest rates. The interest bearing debt's duration was not prolonged with financial instruments during 2019.

Liquidity risk

Liquidity risk is the risk that Gränges will be unable to fulfil its payment obligations. Gränges' Financial Management Policy stipulates metrics to ensure adequate liquidity in the Group. Cash flow from operating activities is managed centrally in Gränges Group and Gränges monitors both short and long-term liquidity in the Group.

The table below shows the maturity structure for the Gränges Group's contractual financial liabilities. The amounts refer to non-discounted future cash flows and may therefore differ from the recognized figures. All variable interest cash flows have been calculated at the rate prevailing on the balance sheet date and all future cash flows in foreign currency are translated to SEK using the closing rate at year-end. The table also includes derivatives which are recognized as assets at the balance sheet date, as derivatives can include both positive and negative cash flows, and the fair value varies over time. Financial liabilities are managed using operating cash flow, liquid and interest-bearing assets and, where necessary, available credit facilities.

2019 SEK million	Carrying amount	Contractual cash flows	< 1 year	1–2 years	2–4 years	> 4 years
Lease liabilities	259	320	53	49	97	121
Other interest-bearing liabilities	3,595	3,821	1,440	568	863	950
Accounts payable	1,253	1,253	1,253	–	–	–
Other current liabilities	14	14	14	–	–	–
Net-settled derivatives ¹⁾ – aluminium derivatives	–27	–	–	–	–	–
Inflow	–	–6	–6	–	–	–
Outflow	–	–21	–21	–	–	–
Gross-settled derivatives ¹⁾ – currency derivatives	12	–	–	–	–	–
Inflow	–	22	19	3	–	–
Outflow	–	–10	–10	0	–	–
Total	5,106	5,393	2,742	620	960	1,071

2018 SEK million	Carrying amount	Contractual cash flows	< 1 year	1–2 years	2–4 years	> 4 years
Lease liabilities	–	–	–	–	–	–
Other interest-bearing liabilities	2,632	2,864	610	59	1,892	303
Accounts payable	1,250	1,250	1,250	–	–	–
Other current liabilities	2	2	2	–	–	–
Net-settled derivatives ¹⁾ – aluminium derivatives	34	–	–	–	–	–
Inflow	–	–61	–61	–	–	–
Outflow	–	27	27	–	–	–
Gross-settled derivatives ¹⁾ – currency derivatives	–28	–	–	–	–	–
Inflow	–	–21	–23	2	–	–
Outflow	–	–6	–6	0	–	–
Total	3,891	4,055	1,799	61	1,892	303

1) Including derivatives recognized as assets.

>> CONT. NOTE 28

Credit risk

The management of credit risks related to accounts receivable and other current assets is handled as part of the commercial risk and monitored continuously by the operating units. Gränges' customers are spread over various countries and geographic markets. Credit losses have historically been low due to the relatively strong financial position of Gränges' customers as well as strict credit procedures. Gränges' credit risks related to other financial instruments are managed by choosing counterparties with a good credit rating and by minimising the risk per counterparty. Gränges also enters into customary agreements with financial counterparties, as for example ISDA-agreements.

Sensitivity analysis

Financial instruments in the Gränges Group are exposed to different types of market risk which can affect the income statement or equity. Financial instruments, especially derivatives, are used as a means of hedging financial and operational exposures.

The table below shows a partial analysis of the sensitivity of financial instruments, where the isolated effect of each type of risk on the income statement and other comprehensive income is calculated. This is done on the basis of a chosen hypothetical change in market prices or prices in the balance sheet at 31 December. In accordance with IFRS, the analysis only covers financial instruments and is not intended to provide a full overview of the Group's market risk, for example:

- For currency hedges of concluded contracts changes in the fair value of the hedging instrument will affect the income statement while changes in the fair value of the underlying hedged contract that is offset by the hedging instrument will not be shown, as this is not a financial instrument.
- If one of the parameters changes the analysis will not take into account any correlations with other parameters.
- Financial instruments issued in the functional currency of individual units do not create a currency risk and are therefore not included in this analysis. For the same reason the currency exposure is not included upon translation of such financial instruments into the presentation currency.

Generally, the effect on the income statement and other comprehensive income of financial instruments shown in the table below is expected to offset the effects of the hedged items in cases where the financial instruments are included in a hedging relationship.

Accounting effects of changes in market risk are classified to the income statement and other comprehensive income depending on where the effect of changes in fair value should be recognized initially. Effects which are accounted for in the income statement also affect other comprehensive income in addition to the figures presented in the table.

SEK million	Accounting before tax effects on			
	Income statement		Other comprehensive income	
	2019	2018	2019	2018
Interest rate risk: +/-100 bp parallel shift in yield curves, all currencies	-/+24	-/+22	-	-
Currency risk: +/-10 % change in FX rate, USD/SEK	-/+4	-/+6	-/+15	-/+22
Currency risk: +/-10 % change in FX rate, EUR/SEK	-/+5	-/+7	-/+48	-/+63
Currency risk: +/-10 % change in FX rate, CNY/USD	0	0	-/+19	-/+38
Price risk: +/-20 % change in LME prices	-/+120	-/+110	+/-14	+/-14

29 DERIVATIVES AND HEDGING

The table below shows the fair value of all outstanding derivatives grouped by their treatment in the financial statements.

Derivatives and hedging

SEK million	2019		2018	
	Assets (+)	Liabilities (-)	Assets (+)	Liabilities (-)
Cash flow hedges				
Currency forwards, currency swaps	14	-12	7	-26
Aluminium futures	0	-1	0	-7
Total	15	-12	7	-33
Fair value hedges				
Currency forwards, currency swaps	12	-2	3	-4
Aluminium futures	6	-20	61	-19
Total	17	-22	64	-23
Other derivatives – changes in fair value recognized in income statement				
Currency forwards, currency swaps	9	-9	7	-15
Interest rate swaps	-	-39	-	-4
Aluminium futures	0	0	0	-1
Total	9	-48	7	-20
Total derivatives	40	-83	78	-76

Cash flow hedges

Gränges' purchases of aluminium forwards and futures with LME and SHFE as price base and currency forwards are identified as hedging instruments in the category cash flow hedges. All derivatives that are classified as hedging instruments in cash flow hedges are accounted for at fair value in the balance sheet. Changes in fair value are recognized in other comprehensive income and accumulated in the hedging reserve in equity and are reclassified to the income statement when the hedged cash flows are recognized in the income statement.

No gain or loss has been recognized in the income statement as a result of ineffective hedging in 2019 and 2018. All expected cash flows that were hedged in 2019 still qualify for hedge accounting.

Change in hedging reserve

SEK million	2019	2018
Opening hedging reserve before tax	-26	16
Reclassified to income statement	27	-14
Change in value during the year	0	-27
Closing hedging reserve before tax	2	-26
Deferred tax, hedging reserve	-1	6
Closing hedging reserve after tax	2	-20

A positive hedging reserve will result in positive figures in the income statement in the future. Accumulated hedging gains and losses from cash flow hedges which were recognized in the hedging reserve as at 31 December 2019 and are expected to be recognized in the income statement (before tax) are SEK -1 million for 2020 and SEK 3 million after 2020.

Fair value hedging

Gränges is using aluminium forwards and futures to hedge the inventory value. Currency exposure related to the inventory is hedged with currency forwards. Metal and currency derivatives are jointly designated as a hedging instrument in the fair value hedge. Gain and loss on hedged items, as well as the hedging instrument, are accounted for as currency gain and loss in the income statement. The value of inventory is adjusted with the change in fair value of the hedged item. Loss on the hedging instruments amounted to SEK -46 million in 2019 (60) and gain on the hedged items attributable to the hedged risk amounted to SEK 46 million in 2019 (-60).

Offsetting

Financial assets and liabilities subject to an enforceable master netting arrangement or similar agreement relate only to the Group's derivatives. Gränges has entered into ISDA-agreements with relevant financial counterparties.

SEK million	Gross amounts	Offset	Net amounts in balance sheet	Derivatives not intended to be settled net	Collaterals received/pledged	Net amounts
2019						
Derivative assets	40	-	40	25	-	15
Derivative liabilities	-44	-	-44	-25	-	-19
2018						
Derivative assets	78	-	78	44	-	34
Derivative liabilities	-71	-	-71	-44	-	-28

30 LEASE INCOME

Future minimum lease payments relating to leases and other leases as lessor attributable to non-cancellable agreements are distributed on the balance sheet date over the following maturity dates:

SEK million	2019	2018
Current year	18	21
Within 1 year	17	20
Within 2–5 years	3	6
After 5 years	–	0
Total future lease income	20	26

Lease income primarily refer to rental income from properties owned by Gränges AB.

31 PROVISIONS

SEK million	2019
<i>Non-current provisions</i>	
Employee benefits	20
Total non-current provisions	20
<i>Current provisions</i>	
Employee benefits	31
Total current provisions	31

A provision for employee benefits is recognized in accordance with agreements entered for long-term incentive programmes and other personnel obligations.

32 PLEDGED ASSETS, GUARANTEES AND CONTINGENT LIABILITIES

Contingent liabilities

SEK million	2019	2018
Guarantee for supply of electricity	13	13
Guarantee commitment PRI Pensionsgaranti	2	2
Guarantee for worker's compensation	3	5
Total contingent liabilities	19	20

For the loan agreements described in Note 27, Gränges has entered into a customary undertaking to not pledge assets or in a similar manner use its property to give creditors a better right than the banks that are providing the credit facilities. The commitment that was covered by the property mortgages has ceased and there are no longer any pledged assets within the Group.

Disputes

From time to time disputes with counterparties arise in the ongoing operations. The Group regularly makes assessments and provisions if necessary in the accounts. Currently, the Group is not involved in any major litigation that is expected to substantially affect the accounts negatively.

Environmental issues

The Group has conducted industrial production for a long time at facilities in Finspång, Västerås and Upplands Väsby. In light of the public review of potentially polluted areas in Sweden that is being conducted by the Swedish Environmental Protection Agency and country administrative boards, Gränges may be involved in reviews and investigations relating to facilities where industrial production has historically taken place. For instance, industrial production has been conducted by various operators at Gränges' facility in Finspång since the 16th century. There are currently no ongoing cases relating to responsibility in this respect.

33 RELATED PARTY TRANSACTIONS

Intra Group transactions are executed in accordance with specific arrangements at arm's length and shared costs in Gränges are allocated among the companies in the Group using allocation formulas depending on the types of expenditure.

Transactions with Moriyasu Aluminium Co Ltd. are specified in the table below.

SEK million	2019	2018
Transactions with joint ventures		
Sales	9	7
Other income and expenses	–	0
Non-current interest-bearing receivables	2	2
Accounts receivable	4	3

For information on remuneration and benefits to board members and senior executives, see Note 8.

There are no other significant transactions with related parties.

34 EVENTS AFTER THE BALANCE SHEET DATE

Gränges' Nomination Committee has proposed Fredrik Arp to be elected as new Chairman of the Board of Gränges AB at the Annual General Meeting on 7 May, 2020. Gränges current Chairman of the Board, Anders G. Carlberg, will at the same time resign from the Board.

ALTERNATIVE PERFORMANCE MEASURES

Gränges makes use of the alternative performance measures return on capital employed, net debt, equity to assets ratio and cash conversion. Gränges believes that these performance measures are useful for readers of the financial reports as a complement to other performance measures when assessing the possibility of dividends, the implementation of strategic investments, and the Group's ability to meet financial commitments. Further, Gränges uses the alternative performance measures adjusted operating profit, adjusted operating profit per tonne and adjusted EBITDA, which are measures that Gränges considers to be relevant for investors who want to understand the profit generation excluding items affecting comparability. For definitions of the measures, see page 81.

SEK million	2019	2018
Adjusted operating profit		
Operating profit	836	940
Items affecting comparability	30	64
Adjusted operating profit	866	1,005
Adjusted operating profit per tonne		
Adjusted operating profit	866	1,005
Sales volume, ktonnes	347.3	375.0
Adjusted operating profit per tonne, kSEK	2.5	2.7
Adjusted EBITDA		
Adjusted operating profit	866	1,005
Depreciation and amortization	461	353
Adjusted EBITDA	1,327	1,357
Return on capital employed		
Total assets less cash and cash equivalents and interest-bearing receivables, rolling 12 months average	9,375	7,999
Non-interest bearing liabilities, rolling 12 months average	-2,311	-2,194
Pensions, rolling 12 months average	348	293
Capital employed	7,411	6,098
Adjusted operating profit	866	1,005
Return on capital employed, %	11.7	16.5
Net debt		
Cash and cash equivalents and interest-bearing receivables	-752	-459
Interest-bearing liabilities	3,853	2,632
Pensions	363	321
Net debt	3,465	2,494
Net debt/Adjusted EBITDA		
Net debt	3,465	2,494
Adjusted EBITDA	1,327	1,357
Net debt/Adjusted EBITDA	2.6	1.8
Equity to assets		
Equity	4,314	3,873
Total assets	10,480	8,773
Equity to assets, %	41.2	44.2
Adjusted cash flow before financing activities		
Cash flow before financing activities	-148	531
Cash flow from expansion investments	1,103	470
Cash flow from other non-maintenance investments	93	-
Cash flow from acquisitions	-	-24
Adjusted cash flow before financing activities	1,048	977
Cash conversion		
Adjusted cash flow before financing activities	1,048	977
Adjusted operating profit	866	1,005
Cash conversion, %	121	97

DEFINITIONS

Adjusted EBITDA

Adjusted operating profit before depreciation and impairment charges.

Adjusted cash flow before financing activities

Cash flow before financing activities excluding cash flow from non-maintenance investments and acquisitions.

Adjusted operating profit

Operating profit excluding items affecting comparability.

Adjusted operating profit per tonne

Adjusted operating profit divided by sales volume.

Average number of employees

The average number of employees converted to full-time positions.

Capital employed

Total assets less cash and cash equivalents and interest-bearing receivables, minus non-interest bearing liabilities.

Cash conversion

Adjusted cash flow before financing activities divided by adjusted operating profit.

Cash flow before financing activities

Cash flow from operating activities plus cash flow from investing activities.

Earnings per share

Profit for the period divided by the total number of shares.

Equity to Assets

Equity divided by total assets.

Items affecting comparability

Non-recurring income and expenses.

ktonnes

Volume expressed in thousands of metric tonnes.

Net debt

Cash and cash equivalents and interest-bearing receivables minus interest-bearing liabilities, including pensions.

Operating profit

Profit before net financial items and tax.

Return on capital employed

Adjusted operating profit divided by average capital employed during the past 12-month period.

Return on equity

Profit for the period divided by average equity during the past 12-month period.

Sales volume

Volumes sold in metric tonnes.

GLOSSARY

Alloy

Material composed of one metal with additions of other metals and/or elements.

Aluminium ingot

A small block of aluminium, typically used as input material for re-melting.

Aluminium strip

Rolled aluminium in coil form.

Annealing

Heat treatment to partially or fully remove work hardening in the material after cold rolling.

Brazing

Joining of metals through melting and solidification of a braze metal.

Casting

Method to convert molten metal to a desired solid form.

Cladding

A layer of metal bonded to a dissimilar metal or alloy.

Electric vehicles

Vehicles that are powered entirely or partly by electricity. They are often divided into Battery Electric Vehicles (BEV) and Hybrid Electric Vehicles (HEV), and in some cases Plug-in Hybrid Vehicles (PHEV).

Flux

A substance used to disrupt surface oxides to enable brazing.

Foil

A flat rolled product with a thickness less than 0.2 mm.

Heat exchanger

A device for transforming heat from one medium to another.

HVAC

Abbreviation for Heating, Ventilation and Air Conditioning system including heat exchangers. Sometimes used to define the stationary heat exchanger market.

LME

London Metal Exchange.

Rolled aluminium

Aluminium that has been hot and/or cold rolled to desired gauge.

SHFE

Shanghai Futures Exchange.

Slab

Input material to the rolling process that is produced by casting.

Spray-forming

Deposition of semi solid sprayed droplets on to a substrate.

TRILLIUM®

A reactive malleable metal matrix composite material that can be used to produce aluminium brazed joints without the need for adding a fluxing agent.

FIVE-YEAR SUMMARY

SEK million	2019	2018	2017	2016	2015
Sales volume, ktonnes	347.3	375.0	373.0	239.1	163.9
Income statement					
Net sales	11,978	12,910	11,435	7,207	5,494
Adjusted EBITDA ¹⁾	1,327	1,357	1,303	952	749
Adjusted operating profit ¹⁾	866	1,005	933	687	541
Operating profit	836	940	917	559	538
Profit for the year	600	688	652	498	379
Adjusted EBITDA margin	11.1	10.5	11.4	13.2	13.6
Adjusted operating margin	7.2	7.8	8.2	9.5	9.8
Operating margin	7.0	7.3	8.0	7.8	9.8
Net margin	5.0	5.3	5.7	6.9	6.9
Balance sheet					
Non-current assets	6,025	4,489	3,827	4,071	1,800
Current assets	4,455	4,285	4,179	3,878	2,601
Equity	4,314	3,873	3,322	2,942	2,499
Non-current liabilities	3,414	2,522	2,555	3,209	989
Current liabilities	2,752	2,378	2,128	1,799	914
Cash flow					
Operating activities	1,441	1,351	968	686	725
Investing activities	-1,590	-819	-396	-2,732	-125
Cash flow before financing activities	-148	531	572	-2,046	600
Financing activities	440	-825	-650	2,245	-647
Cash flow for the year	292	-294	-79	198	-47

1) Adjusted for items affecting comparability (see Note 12 in the notes to the consolidated accounts).

Capital structure, return indicators and employees

Capital employed	7,779	6,367	5,615	5,664	2,775
Net debt	3,465	2,494	2,292	2,722	275
Equity/assets ratio, %	41.2	44.2	41.5	37.0	56.8
Net debt/Adjusted EBITDA, multiple	2.6x	1.8x	1.8x	2.1x ²⁾	0.4x
Capital employed (rolling 12 month average)	7,411	6,098	5,581	3,930	2,982
Return on capital employed, %	11.7	16.5	16.7	17.5	18.1
Equity (rolling 12 month average)	4,175	3,633	3,093	2,636	2,385
Return on equity, %	14.4	18.9	21.1	18.9	15.9
Average number of employees	1,805	1,699	1,568	1,136	964

2) Calculated on a rolling 12-month basis, including estimated adjusted EBITDA on a stand alone basis for the acquired business in the US.

	2019	2018	2017	2016	2015
Data per share, SEK					
Earnings per share, basic	7.95	9.11	8.65	6.66	5.07
Earnings per share, diluted	7.95	9.11	8.64	6.64	5.07
Equity ¹⁾	57.13	51.29	44.04	39.27	33.45
Cash flow from operating activities ¹⁾	19.08	17.89	12.82	9.15	9.70
Dividend	3.40 ²⁾	3.20	3.00	2.40	2.00
Dividend yield, %	3.44	3.98	3.56	2.79	2.86
Share price at year-end	98.95	80.5	84.25	86.00	70.00
Weighted outstanding ordinary shares, basic in thousands	75,517.4	75,517.4	75,370.6	74,703.9	74,639.4
Weighted outstanding ordinary shares, diluted in thousands	75,517.4	75,517.4	75,440.7	74,913.9	74,719.4
Sales volume by region, ktonnes					
Asia	79.0	86.2	86.3	80.8	75.5
Europe	58.3	65.4	65.6	63.7	62.7
Americas	210.1	223.3	221.1	94.6	25.8
Total	347.3	375.0	373.0	239.1	163.9
Net sales by region, SEK million					
Asia	2,736	3,004	2,911	2,623	2,637
Europe	2,091	2,424	2,230	1,933	1,978
Americas	7,150	7,482	6,294	2,651	880
Total	11,978	12,910	11,435	7,207	5,494

1) Calculated on weighted outstanding ordinary shares, diluted.

2) Cash dividend for 2020 as proposed.

PARENT COMPANY INCOME STATEMENT

SEK million	Note	2019	2018
Net sales	3	187	203
Payroll expenses	7	-102	-96
Other operating expenses	4, 5, 6	-154	-161
Depreciation, amortization and impairment charges	10, 11	-20	-26
Operating loss		-88	-80
Dividends from subsidiaries		335	517
Financial income	8	96	135
Financial costs	8	-89	-117
Financial items		342	535
Profit after financial items		254	455
Group contributions		90	115
Change in tax allocation reserve		5	-17
Change in accelerated depreciation		2	60
Appropriations		97	158
Profit before taxes		351	612
Tax on profit for the year	9	-16	-53
Profit for the year		335	560

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK in million	Note	2019	2018
Profit for the year		335	560
<i>Items to be reclassified to profit/loss for the year</i>			
Change in hedge reserve before tax		-1	-
Tax on above		0	-
Comprehensive income for the year attributable to the owners of the parent company		334	560

The parent company has no items not to be reclassified to profit/loss for the year.

PARENT COMPANY BALANCE SHEET

SEK million	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets	10	40	7
Property, plant and equipment	11	192	206
Shares in Group companies	12	1,160	1,160
Receivables from Group companies		2,102	2,674
Other non-current receivables		3	8
Total non-current assets		3,497	4,054
Current receivables			
Accounts receivable		4	3
Receivables from Group companies		164	161
Other receivables		40	67
Prepaid expenses and accrued income		3	5
Total current receivables		211	237
Cash and cash equivalents			
Cash and bank balances		190	120
Total cash and cash equivalents		190	120
Total current assets		402	356
TOTAL ASSETS		3,899	4,411
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	13	101	101
Statutory reserve		9	7
Total restricted equity		111	108
Non-restricted equity			
Fair value reserve		-1	-
Retained earnings		1,254	938
Profit for the year		335	560
Total non-restricted equity		1,589	1,498
Total equity		1,699	1,606
Untaxed reserves			
Tax allocation reserve		12	17
Accelerated depreciation		18	20
Total untaxed reserves		30	37
Provisions			
Provisions for pensions	14	24	27
Other provisions	15	8	-
Total provisions		32	27
Non-current liabilities			
Interest-bearing liabilities	16	1,065	2,117
Other non-current liabilities		0	0
Total non-current liabilities		1,065	2,117
Current liabilities			
Other provisions	15	13	-
Interest-bearing liabilities	16	901	450
Accounts payable		14	46
Other liabilities		108	70
Accrued expenses and deferred income	17	36	55
Total current liabilities		1,072	622
TOTAL EQUITY AND LIABILITIES		3,899	4,411

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK million	Restricted equity		Unrestricted equity			Total equity
	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Profit for the year	
Opening balance at 1 January 2019	101	7	-	938	560	1,606
Appropriation of retained earnings:						
Carried forward	-	-	-	560	-560	-
Dividend	-	-	-	-242	-	-242
Comprehensive income for the year	-	-	-1	-	335	334
Change in fund for development expenditure	-	2	-	-2	-	-
Closing balance at 31 December 2019	101	9	-1	1,254	335	1,699
Opening balance at 1 January 2018	101	6	-	781	385	1,273
Appropriation of retained earnings:						
Carried forward	-	-	-	385	-385	-
Dividend	-	-	-	-227	-	-227
Comprehensive income for the year	-	-	-	-	560	560
Change in fund for development expenditure	-	1	-	-1	-	-1
Closing balance at 31 December 2018	101	7	-	938	560	1,606

PARENT COMPANY CASH FLOW STATEMENT

SEK million	Note	2019	2018
Operating loss		-88	-80
Depreciation and impairment charges		20	26
Change in net working capital etc.		14	91
Taxes paid		-11	24
Cash flow from operating activities		-65	61
Investments in property, plant and equipment and intangible assets	10, 11	-39	-8
Divestments of property, plant and equipment and intangible assets	10, 11	-	152
Cash flow from investing activities		-39	144
Dividend paid to shareholders		-242	-227
Dividend received from subsidiary		318	491
Interest paid		-52	-105
Interest received		81	142
New loans		3,060	3,000
Repayment of loans		-3,786	-3,365
Financial intra-group transactions		797	-127
Cash flow from financing activities		175	-191
Cash flow for the year		71	14
Cash and cash equivalents at 1 January		120	106
Cash flow for the year		71	14
Cash and cash equivalents at 31 December		190	120

Reconciliation between opening and closing balance of liabilities whose cash flows are recognized in financing activities

SEK million	2019	2018
Interest-bearing liabilities at 1 January	2,566	2,761
Cash flow	-726	-365
<i>Non-cash items</i>		
Exchange rate differences	93	165
Change in accrual borrowing costs	-2	5
Change in fair value for interest-bearing derivatives	35	0
Interest-bearing liabilities at 31 December	1,966	2,566

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

The Parent Company financial statements have been prepared in accordance to the Annual Accounts Act and RFR 2 Reporting for Legal Entities. Application of RFR 2 entails that the Parent Company is to apply all IFRS and interpretations approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Pension Obligation Vesting Act and in regard to the connection between accounting and taxation. Changes in RFR 2 has not had material impact on the financial reports of the parent company.

An account of the Gränges Group's accounting policies are described in Note 4 Accounting standards in the consolidated financial statements. The main deviations between the accounting policies applied by the Gränges Group and the parent company are described below.

Gränges Group applies IAS 19 Employee Benefits in the consolidated financial statements. The Parent Company applies the principles of the Pension Obligations Vesting Act. Consequently there are differences between the Gränges Group and the Parent Company in the accounting of defined benefit pension plans.

The Parent Company recognizes the difference between depreciation according to plan and tax depreciation as accumulated additional depreciation, included in untaxed reserves.

Group contributions received from subsidiaries are recognized as appropriations.

Capitalized development expenditure is allocated to a fund for development expenditure. The fund is restricted equity and dissolve at the same rate as amortization or impairment of the capitalized development.

Changes in the fair value of cash flow hedges are recognized in other comprehensive income and accumulated in the fair value reserve.

From 2019 the parent company will apply RFR 2 IFRS 16 item 1 and continue to recognize leases in the income statement on a straight-line basis over the lease term.

2 FINANCIAL RISK MANAGEMENT

Gränges' financial risks are monitored centrally in the Group, see notes to the consolidated financial statements, Note 28 Financial Risks.

The parent company uses derivatives and other financial instruments to mitigate the risk exposure in the subsidiaries. There is no net exposure in the parent company as external positions are offset with intercompany contracts. Hedge accounting is not applicable for these contracts in the parent company.

Parent company has hedged a total of PLN 469 million due to the imminent acquisition of Aluminium Konin. Hedge accounting has been applied and the change in fair value recorded in other comprehensive income was SEK -1 million.

Foreign exchange and interest rate risk related to financing is managed with foreign exchange and interest rate derivatives. The underlying exposure arises as the majority of parent company's external financing is in SEK and the intercompany loans is in foreign currency. The interest-bearing liabilities of the parent company is further described in Note 16 Interest bearing liabilities.

3 BREAKDOWN OF NET SALES BY AREA OF OPERATION

SEK million	2019	2018
Intra-group service charges	160	163
Rental income	27	30
Other	-	10
Total breakdown of net sales by area of operation	187	203

4 ITEMS AFFECTING COMPARABILITY

SEK million	2019	2018
Merger and acquisition costs	-16	-
Total items affecting comparability	-16	-

In November 2019, Gränges AB signed an agreement to acquire the Polish flat rolled aluminium producer Aluminium Konin. The transaction is subject to regulatory approval by the relevant competition authorities. The costs for acquisition activities during 2019 for Konin amounts to SEK 16 million.

5 OPERATING LEASE PAYMENTS

Distribution of lease payments

Future minimum lease payments relating to leases and other leases in the capacity of lessees attributable to non-cancellable agreements are distributed on the balance sheet date over the following maturity dates:

SEK million	2019	2018
Within one year	-5	-4
Later than one year but within five years	-15	-16
After five years	-	-3
Total future minimum lease payments	-19	-23

Leasing costs amount to SEK -5 million (-6) during 2019.

Distribution of lease income

Future minimum lease payments relating to leases and other leases as leaseholders attributable to non-cancellable agreements are distributed on the balance sheet date over the following maturity dates:

SEK million	2019	2018
Within one year	27	29
Later than one year but within five years	47	10
After five years	-	-
Total future minimum lease payments	74	39

6 REMUNERATION TO AUDITORS

SEK million	2019	2018
Ernst & Young AB		
Audit engagement	-1.7	-0.9
Audit services in addition to audit engagement	-0.3	-0.7
Tax advisory services	-0.2	-0.2
Other services	-	-0.1
Total remuneration to auditors	-2.1	-1.9

Audit engagement refers to the review of the annual report and accounting records and of the Board of Directors and CEO's management of the company, other tasks incumbent on the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit services in addition to audit engagement consisted in 2019 and in 2018 primarily of review of interim reports. Tax advisory services include advice on tax, including transfer pricing issues, as well as value-added tax. Other services refer to advice that is not attributable to any of the aforementioned categories of services.

7 PAYROLL EXPENSES

Salaries and remuneration totalled SEK -65.8 million (-63.7), and social charges were SEK -36.3 million (-32.6), whereof SEK -13.0 million (-11.4) refers to pension costs. Pension costs of SEK -1.9 million (-1.9) refer to the CEO. The company's outstanding pension obligations for the CEO are SEK 6.0 million (4.6).

Read more about the average number of employees, salaries and remuneration, including incentives, in Note 8 to the consolidated financial statements.

8 FINANCIAL INCOME AND COSTS

SEK million	2019	2018
Interest income from Group companies	94	130
External interest income	1	1
Net foreign exchange gain	1	5
Total financial income	96	135
External interest expense	-70	-105
Interest expense, pensions	-1	-1
Other financial expenses	-17	-12
Total financial costs	-88	-117
Total financial income and costs	7	18

9 TAXES

Tax expense for the year

SEK million	2019	2018
Profit before taxes	351	612
Current tax	-17	-43
Deferred tax	0	-10
Total tax	-16	-53
Tax as % of profit before taxes	4.6	8.6

When cash and cash equivalents in China shall be made available for the parent company, this is done through dividend payments which today is being taxed with 5 per cent. Cash and cash equivalents per 31 December 2019 for the Chinese subsidiary amounts to SEK 232 million (135).

Reconciliation of effective tax

SEK million	2019	%	2018	%
Profit before taxes	351	-	612	-
Tax at applicable tax rate	-75	-21.4	-135	-22.0
Non-deductible expenses	-1	-0.3	-1	-0.1
Non-taxable income	73	20.8	115	18.8
Adjustment of tax in respect of prior years	6	1.8	0	0.0
Foreign taxes	19	-5.5	-32	-5.2
Total tax	-16	-4.6	-53	-8.6

The company's effective tax rate of 4.6 per cent (8.6) in 2019 differs from the nominal tax rate in Sweden, which is primarily an effect of a dividend received from Gränges Aluminium (Shanghai) Ltd. This income is also included in the basis for non-taxable income. Foreign taxes mainly relates to paid tax in China on the received dividend.

Deferred tax

SEK million	2019	2018
Buildings and land improvements	-1	-1
Pension obligations	2	1
Total deferred tax asset (+) / liability (-)	0	0

10 INTANGIBLE ASSETS

SEK million	Intellectual property	IT	Total intangible assets	SEK million	Intellectual property	IT	Total intangible assets
Carrying amount at 1 January 2019	–	7	7	Carrying amount at 1 January 2018	153	6	159
Acquisitions	35	3	38	Acquisitions	–	2	2
Sales	–	–	–	Sales	–143	–	–143
Amortization	–4	–1	–5	Amortization	–10	–1	–11
Carrying amount at 31 December 2019	30	9	40	Carrying amount at 31 December 2018	–	7	7
Cost at 31 December 2019	35	11	46	Cost at 31 December 2018	–	8	8
Accumulated amortization and impairment charges	–4	–2	–6	Accumulated amortization and impairment charges	–	–1	–1
Carrying amount at 31 December 2019	30	9	40	Carrying amount at 31 December 2018	–	7	7

11 PROPERTY, PLANT AND EQUIPMENT

SEK million	Land, land improvements and buildings	Machinery and equipment	Fixtures, vehicles, etc.	Assets under construction	Total property, plant and equipment
Carrying amount at 1 January 2019	187	5	10	3	206
Acquisitions	1	–	–	0	1
Sales	–	–	–	–	–
Transferred assets, fixed assets under construction	3	–	–	–3	–
Depreciations and impairment charges	–11	–1	–3	–	–15
Carrying amount at 31 December 2019	180	5	7	0	192
Cost at 31 December 2019	434	120	24	0	579
Accumulated depreciation and impairment charges	–254	–116	–16	–	–386
Carrying amount at 31 December 2019	180	5	7	0	192
Carrying amount at 1 January 2018	192	7	6	11	217
Acquisitions	–	–	–	6	6
Sales	0	–	–1	–	–1
Transferred assets, fixed assets under construction	6	–	7	–13	–
Depreciations and impairment charges	–11	–1	–3	–	–15
Carrying amount at 31 December 2018	187	5	10	3	206
Cost at 31 December 2018	430	120	24	3	578
Accumulated depreciation and impairment charges	–242	–115	–14	–	–372
Carrying amount at 31 December 2018	187	5	10	3	206

12 SHARES IN GROUP COMPANIES

SEK million	Reg. no	Registered office	No. of shares	Share of capital and votes, %	Carrying amount, SEK million
<i>Swedish Group companies</i>					
Gränges Sweden AB	556002-6113	Finspång	300,000	100/100	164
Gränges Skultuna AB	556913-7358	Skultuna	50,000	100/100	0
Total					164
<i>Foreign Group companies</i>					
Gränges Americas Inc.	–	Delaware, USA	–	100/100	671
Gränges Aluminium (Shanghai) Ltd	–	Shanghai, China	–	100/100	256
Gränges International Inc.	–	Delaware, USA	–	100/100	67
Gränges Japan Ltd	–	Tokyo, Japan	–	100/100	3
Total					996
Total shares in Group companies					1,160

13 SHARE CAPITAL

	2019	2018
Numbers of shares	75,517,386	75,517,386
SEK million	2019	2018
Share capital	101	101

The articles of association for Gränges AB state that the share capital shall be not less than SEK 80,000,000 and not more than SEK 320,000,000. The number of shares shall be not less than 32,000,000 and not more than 128,000,000.

The share capital comprises a single class of share and amounts to SEK 101 million as of 31 December 2019. Share capital is divided into 75,517,386 shares, each with a quota value of SEK 1.339775. Earnings per share and dilutive effect is presented in the Group's Note 16.

14 PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

SEK million	2019	2018
Liability at beginning of year related to ITP 2	23	22
Pension costs	1	1
Interest expense, pensions	1	1
Pension payments	-1	-1
Liability at the end of year related to ITP 2	24	23
Other pension obligations	0	4
Liability at the end of year related to pension obligations	24	27

Actuarial bases for calculating the capital value pursuant to the Pension Obligations Vesting Act are defined by the Swedish Financial Regulatory Authority. Application of the Pension Obligations Vesting Act is a condition for the right to make tax deductions.

15 OTHER PROVISIONS

SEK million	2019
<i>Non-current provisions</i>	
Employee benefits	8
Total non-current provisions	8
<i>Current provisions</i>	
Employee benefits	13
Total current provisions	13

A provision for employee benefits is recognized in accordance with agreements entered for long-term incentive programmes and other personnel obligations.

16 INTEREST-BEARING LIABILITIES

Gränges' interest bearing debt consists mainly of USD term loans amounting to USD 25 million and SEK term loans of SEK 200 million. Interest bearing debt also includes corporate bonds of SEK 600 million, issued under the MTN programme established during the year. Gränges' commercial paper was utilized to SEK 900 million at 31 December 2019. Gränges also has a revolving credit facility of SEK 2,000 million, with a remaining time to maturity of two years. The

revolving credit facility was unutilized at 31 December 2019. The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio. Gränges has entered into a bridge loan facility of SEK 2,300 million to finance the acquisition of Aluminium Konin. The loan, that was unutilized by December 31, 2019, is subject to extension options and has a maximum tenor of 18 months and is finally due on 27 May 2021.

17 ACCRUED EXPENSES AND DEFERRED INCOME

SEK million	2019	2018
Accrued salaries, holiday pay and social-security contributions	31	48
Other accrued expenses and deferred income	6	8
Total accrued expenses and deferred income	36	55

18 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities

SEK million	2019	2018
Guarantee for supply of electricity	13	13
Guarantee commitment PRI Pensionsgaranti	0	0
Contingent liabilities for subsidiaries	98	93
Total contingent liabilities	111	106

Pledged assets

Gränges has, in connection with signing the new credit facility described in Note 16, entered into a customary undertaking to not pledge assets or in a similar manner use its property to give creditors a better right than the banks that are providing the credit facility.

Disputes

The company is not a party to any dispute. As long as the company does not have any legal or formal obligation as a result of a past event, and it is uncertain whether an outflow of economic resources will be required to settle a future obligation, nothing is recognized in the income statement or balance sheet.

19 RELATED PARTY TRANSACTIONS

No board member or senior executive of Gränges AB or its subsidiaries has independently or through a company or related party had any direct involvement in a business transaction concluded by Gränges AB that was or is of an unusual character or subject to unusual terms and conditions.

SEK million	2019	2018
Sales and purchases during the year:		
Sales of assets to related parties	–	148
Sales to related parties	169	172
Purchases from related parties	72	57
Interest income on receivables from related parties	94	126
Interest expenses on liabilities to related parties	1	1
Outstanding intermediary size at year end:		
Interest-bearing receivables from related parties	1,353	2,016
Non-interest-bearing receivables from related parties	748	713
Non-interest-bearing liabilities to related parties	8	29

20 PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Board of Directors proposes that the retained earnings of:

SEK	
Profits carried forward	1,256,581,609
Change in fund for development expenditure	–2,463,511
Change in fair value reserve	–684,957
Profit for the year	335,147,002
Non-restricted equity	1,588,580,143

Be appropriated as follows:

Dividend to shareholders of 3.40 SEK per share	256,759,112
Carried forward	1,331,821,031
Total	1,588,580,143

The proposed dividend of SEK 257 million, or SEK 3.40 per share, represents 43 per cent of the Group's profit for 2019. In preparing its dividend proposal the Board of Directors has taken account of the company's financial position, cash flow and outlook.

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Carried forward	1,331,821,031
Total	1,588,580,143

The proposed dividend of SEK 257 million, or SEK 3.40 per share, represents 43 per cent of the Group's profit for 2019. In preparing its dividend proposal the Board of Directors has taken account of the company's financial position, cash flow and outlook.

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as adopted for use in the EU, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Company and describes substantial risks and uncertainties that the Group companies faces.

Stockholm 9 March 2020
The Board of Directors of Gränges AB (publ)

Anders G. Carlberg
Chairman of the Board

Johan Menckel
Chief Executive Officer

Carina Andersson
Member of the Board

Peter Carlsson
Member of the Board

Katarina Lindström
Member of the Board

Hans Porat
Member of the Board

Ragnhild Wiborg
Member of the Board

Mats Backman
Member of the Board

Øystein Larsen
Employee representative

Konny Svensson
Employee representative

We submitted our audit report on 12 March 2020
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

This information is such that Gränges must disclose pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on Thursday, 19 March 2020.

AUDITOR'S REPORT

To the general meeting of the shareholders of Gränges AB (publ),
corporate identity number 556001-6122

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Gränges AB (publ) except for the corporate governance statement on pages 41–51 for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 38–93 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 41–51. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of finished goods and work-in-process products

Description	How our audit addressed this key audit matter
<p>As described in Note 20 for the consolidated financial statements, inventories of finished goods and work-in-process products are recorded at 1 363 MSEK in the consolidated balance sheet per the 31st of December 2019, equivalent to 13 % of the Company's total assets. Inventories are valued at the lowest of acquisition cost and net realizable value.</p> <p>The acquisition cost of inventories is based on the cost of production less obsolescence write-downs, if applicable. The valuation at production cost is performed using inventory valuation models where direct and indirect production-related costs are allocated to products. Incorrect assumptions and calculations related to direct and indirect production costs affect the valuation of goods produced which affects recorded inventory and the cost of goods sold. For this reason we have determined that this is a key audit matter.</p> <p>A description of the Company's inventory valuation method for finished goods and work-in-process products is presented in the accounting principles in Note 4 under the notes to the consolidated financial statements.</p>	<p>In our audit for the financial year we have assessed the Company's routines for accounting for finished goods and work-in-process products, and whether the Company's accounting principles for inventory is compliant with applicable standards.</p> <p>We have also performed procedures to verify calculation models and assessed the reasonableness of applied prices, consumption rates and assumptions regarding the allocation of indirect production costs. We have also performed procedures on metal hedging related to inventory.</p> <p>Finally, we have also reviewed the disclosures provided in the annual report</p>

Property, plant and equipment

Description	How our audit addressed this key audit matter
<p>The Company's property, plant and equipment is recorded at 4 846 MSEK in the consolidated balance sheet per the 31st of December 2019, equivalent to 46 % of the Company's total assets. Property, plant and equipment is recorded at acquisition cost net of accumulated depreciation and write-downs, if applicable. Depreciation is recorded over the estimated useful life of components. Accounting principles for property, plant and equipment is presented in Note 4, significant estimates and judgments are presented in Note 5 and disclosures regarding property, plant and equipment is presented in Note 18. The valuation and accounting treatment of property, plant and equipment is a key audit matter due to the significance of the recorded amounts in relation to the total assets in the consolidated balance sheet, and because changes in estimates and judgments could have a significant effect on the value.</p> <p>Depreciation Depreciation is recorded over the estimated useful life of components. A change in the estimated useful life of components would result in different recorded values.</p> <p>Impairment In case an indicator of impairment is identified, the recorded value is tested through comparison to the estimated recoverable amount for the asset. Based on current and expected future financial development the Company has determined that there was no indication of impairment for the financial year 2019.</p>	<p>Depreciation In our audit for the financial year we have assessed the reasonableness of the assumptions for useful life which the Company has applied during the year. These procedures have included an assessment of the Company's method for determining useful life periods, comparisons to historical actuals and business plans, as well as comparisons with the estimated useful lives used by other comparable companies.</p> <p>Impairment In our audit for the financial year we have analyzed and assessed the assumptions and estimates made by the Company regarding potential indicators of impairment compared to current and expected future cash flows from affected assets. We have also reviewed the disclosures provided in the annual report. Finally, we have also reviewed the disclosures provided in the annual report.</p>

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–40 and 94–113. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained

up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Gränges AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss. We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to

fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 41–51 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Jakobsbergsgatan 24, 111 44, Stockholm, was appointed auditor of Gränges AB by the general meeting of the shareholders on the 8 May 2019 and has been the company's auditor since the 10 May 2007.

Stockholm 12 Mars 2020
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

SUSTAINABILITY NOTES

ABOUT GRÄNGES' SUSTAINABILITY REPORT

The sustainability information in this report relates to the financial year 2019 and covers all fully owned operations of the Group at the start of 2019, as listed on page 90.¹⁾ The statutory sustainability report according to the Swedish Annual Accounts Act has been issued by Gränges' Board of Directors, read more on page 39.

The sustainability information in this report has been prepared in accordance with GRI Standards: Core option and constitutes Gränges' Communication on Progress in line with UN Global Compact guidelines. The report and its contents have not been externally assured. GRI's guidance on the reporting principles of materiality, stakeholder inclusiveness, sustainability context, and completeness, has been used to define the content of the report.

1) The sustainability report does not cover operations that are not fully owned by Gränges, for example the jointly owned production company Getek GmbH which was partly acquired by Gränges in October 2017.

Gränges has published a sustainability report each year since 2015. The company's last sustainability report was published on 14 March 2019. Gränges intends to continue to publish a report annually.

For more information, please contact:
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SUSTAINABILITY GOVERNANCE

Gränges' sustainability efforts are led by Group Management and the VP Sustainability, who coordinates, facilitates and drives the global sustainability strategy, long-term targets and sustainability related policies. The VP Sustainability also communicates on sustainability performance and progress to different stakeholders and coordinates a continuous stakeholder dialogue.

Gränges' CEO regularly presents global sustainability performance to the Board of Directors, who reviews and monitors performance against the company's targets. The Board of Directors is the body which approves the company's global sustainability strategy, long-term targets and policies, and adopts the annual sustainability report.

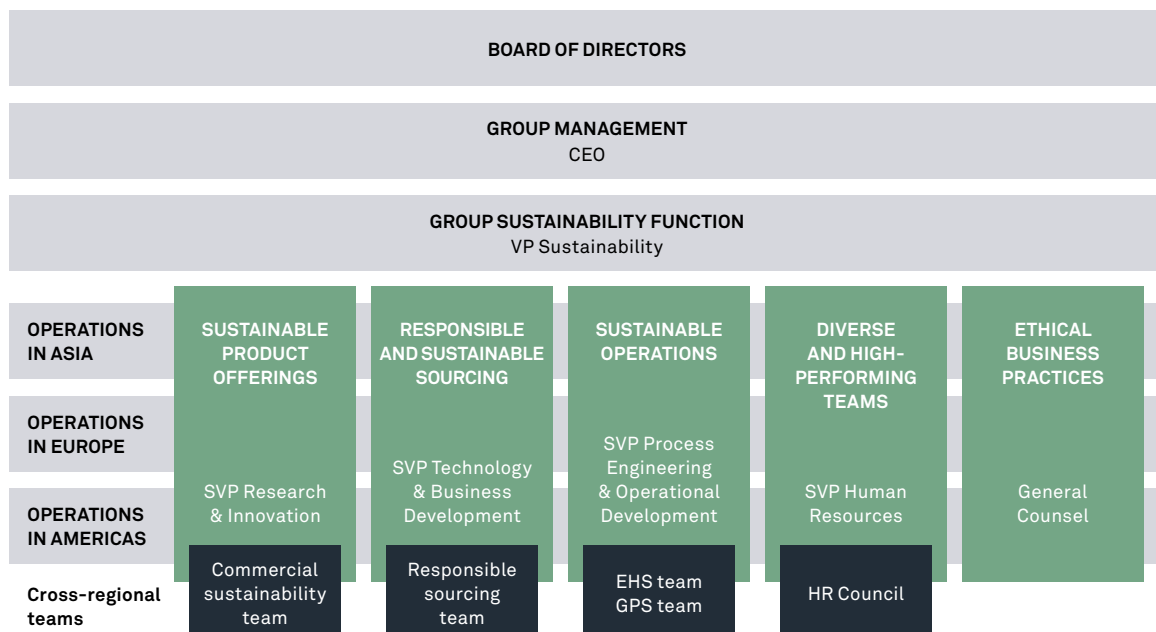
Group Management ensures that Gränges' global sustainability strategy, long-term targets and policies are aligned with the compa-

ny's vision and strategy. Group Management also reviews and monitors sustainability performance against sustainability targets, as well as makes decisions related to global sustainability priorities.

As illustrated below, each sustainability pillar is governed by one member of Group Management. This individual proposes global sustainability priorities and coordinates with Gränges' regional teams through cross-regional teams to implement local sustainability activities within a specific sustainability pillar.

The regional operations in turn ensure that a local sustainability strategy, long-term targets and policies are in place and aligned with the global strategy and the needs of the local business. They also report on local sustainability performance and progress.

GRÄNGES' SUSTAINABILITY ORGANIZATION



STAKEHOLDER DIALOGUE

Gränges seeks to establish long-term and transparent dialogues with its stakeholders. Stakeholder inclusiveness is a priority for Gränges and the company maintains an ongoing dialogue with its stakeholders to ensure it meets their expectations. Also, as part of the sustainability reporting process, Gränges engages selected stakeholders in a structured dialogue to identify key sustainability topics and reporting content. The key issues raised in the stakeholder dialogue constitute the main parts of the company's materiality assessment and reporting. Gränges has identified five main stakeholder groups to include in the stakeholder dialogue: customers, employees, investors, society and suppliers.

Gränges conducted a comprehensive and structured stakeholder dialogue in 2016 (China and Sweden) and 2017 (the US). The company used a web-based survey which aimed to help identify which sustainability topics were most important to Gränges' stakeholders. Topics included in the survey were identified through analysis of industry standards, sustainability reporting frameworks, and topics previously raised by stakeholders. Respondents could also raise additional sustainability issues in the survey. In total, 439 respondents from differ-

ent stakeholder groups responded to the survey and provided input to Gränges' materiality analysis. Gränges also conducted follow-up interviews with a selection of stakeholders to better understand more their expectations. In 2018, Gränges validated its material topics through qualitative discussion with Group Management.

In 2019, Gränges conducted structured interviews with representatives from different stakeholder group with the aim to better understand their perceptions of Gränges' sustainability report, sustainability efforts and to validate that the company reports on relevant and prioritized sustainability topics. Gränges also asked stakeholders about their future expectations on Gränges from a sustainability perspective.

In summary, Gränges received positive feedback on both the report and the sustainability efforts. Expectations on future efforts were for example to work more on climate change, recycling and products' end-of-life, dare to talk about challenges with circular business models and conduct more research on green energy. Input from stakeholders have been integrated into this 2019 sustainability report.

Stakeholder group	Dialogue forum	Key sustainability topics for stakeholders	Page
Customers	<ul style="list-style-type: none"> Customer survey Fairs, seminars Ongoing dialogue Questionnaires from customers Stakeholder surveys and in-depth interviews 	<ul style="list-style-type: none"> Customer satisfaction Eco-responsible innovation Energy and emissions Health and safety Product life-cycle performance Recycled aluminium and raw materials Supplier assessments 	<p>23</p> <p>23</p> <p>22, 25–27, 103–105</p> <p>28, 30, 106, 108</p> <p>23, 102</p> <p>24–25, 102–103</p> <p>24–25, 102</p>
Employees	<ul style="list-style-type: none"> Annual performance reviews Employee surveys every two years Internal training Intranet communication Stakeholder surveys and in-depth interviews Workplace meetings 	<ul style="list-style-type: none"> Diversity and equality Emissions to air and water Ethics and anti-corruption Gränges' workplace Health and safety Product life-cycle performance Supplier assessments 	<p>29–30, 107</p> <p>22, 25, 27, 104–105</p> <p>31, 108</p> <p>28–30, 106–108</p> <p>28, 30, 106, 108</p> <p>23, 102</p> <p>24–25, 102</p>
Investors	<ul style="list-style-type: none"> Annual general meeting Annual and quarterly reports Capital markets days every two years Quarterly conference calls Investor and analyst seminars and meetings Press releases Stakeholder surveys and in-depth interviews Sustainability questionnaires from ESG data providers Website 	<ul style="list-style-type: none"> Customer satisfaction Economic performance Eco-responsible innovation Energy and emissions Ethics and anti-corruption Gränges' workplace Recycled aluminium and raw materials Supplier assessments 	<p>23</p> <p>1, 52–93</p> <p>23</p> <p>22, 25–27, 103–105</p> <p>31, 108</p> <p>28–30, 106–108</p> <p>24–25, 102–103</p> <p>24–25, 102</p>
Society	<ul style="list-style-type: none"> Collaboration with universities and schools Interns and student dissertations Local cooperation, ongoing dialogue Participation in networks and working groups Stakeholder surveys and in-depth interviews 	<ul style="list-style-type: none"> Community involvement Energy and emissions Health and safety 	<p>www.granges.com/sustainability</p> <p>22, 25–27, 103–105</p> <p>28, 30, 106, 108</p>
Suppliers	<ul style="list-style-type: none"> Ongoing dialogue Stakeholder surveys and in-depth interviews Supplier assessments Supplier Code of Conduct 	<ul style="list-style-type: none"> Customer satisfaction Economic performance Energy and emissions Ethics and anti-corruption Health and safety Recycled aluminium and raw materials Purchasing processes 	<p>23</p> <p>1, 52–93</p> <p>22, 25–27, 103–105</p> <p>31, 108</p> <p>28, 30, 106, 108</p> <p>24–25, 102–103</p> <p>24–25, 102</p>

MATERIALITY ANALYSIS AND TOPIC BOUNDARIES

In line with the principle of materiality, Gränges in 2019 validated its selection of material topics using input from the in-depth interviews described on page 98. Gränges' decision from 2018 to prioritize twelve

sustainability topics across five sustainability pillars was in 2019 assessed to be valid and relevant.

Gränges' material topics and their boundaries

Gränges' sustainability pillar	Gränges' material topics	Corresponding GRI Standards topic	Impact occurs in/at Gränges'			Page
			Suppliers	Operations	Customers	
Sustainable product offering	Eco-responsible innovation	–		x	x	23
	Product life-cycle sustainability performance	Materials stewardship ¹⁾	x	x	x	23, 102
Responsible and sustainable sourcing	Responsible sourcing	Supplier environmental assessment Supplier social assessment	x			24–25, 102
	Sourced recycled aluminium	Materials	x	x	x	24–25, 102
Sustainable operations	Emissions and climate impact	Emissions	x	x	x	22, 25–27, 104
	Energy	Energy	x	x		26, 103
	Water management	Water		x		27, 105
	Workplace safety	Occupational health and safety		x		28, 106
Diverse and high-performing teams	Employee wellbeing			x		30, 108
	Diversity and equality	Diversity and equal opportunity		x		29–30, 107
	Career and leadership development	Training and education		x		29, 107
Ethical business practices	Ethics and anti-corruption	Anti-corruption	x	x	x	31, 108

1) GRI G4 Mining and Metals Sector Supplement.

EXTERNAL INITIATIVES AND MEMBERSHIPS

Gränges participates in the following industry initiatives: Aluminium Association, Aluminium Stewardship Initiative, Big Science Sweden, China Nonferrous Metals Industry Association, Confederation of Swedish Enterprise, European Aluminium, European Aluminium Foil Association, Global Aluminium Foil Roller Initiative, Nonferrous metals Society of Shanghai, Shanghai Aluminium Trade Association, Scandinavian Automotive Supplier Association, and Svenskt Aluminium.

Gränges' operations in Europe is also a member of the local associations Näringslivsrådet, Vision East Sweden, and Östsvenska

Handelskammaren, as there is a strategic interest at local level related to areas such as recruitment, infrastructure and influence in important political topics.

Gränges supports international standards on human rights, labour conditions, the environment and anti-corruption, the UN Global Compact, UN Universal Declaration of Human Rights and the OECD Guidelines for Multinational Corporations.

Gränges also helps to fulfil the 2030 Agenda and the Sustainable Development Goals (SDGs), read more on page 100.

EXTERNAL REPORTING AND EVALUATION

Gränges is continuously assessed by customers and sustainability/ESG analysts through surveys about sustainability performance and management. These contacts serve as an important element of the ongoing stakeholder dialogue and is in line with the company's ambition to provide stakeholders with a credible basis for their evaluation of Gränges. Below are some examples of Gränges' reporting for external evaluation:

Global Reporting Initiative (GRI): Gränges' sustainability report is conducted in line with GRI Standards: Core option. A complete GRI content index can be found on pages 109–111.

Global Compact: The sustainability information in this report also constitutes Gränges' Communication on Progress in line with UN Global Compact guidelines.

In 2019, Gränges received a rating of AA in the MSCI ESG Ratings assessment, which positioned Gränges among the top 6 per cent companies in the Metals and Mining sector (Non-Precious Metals).¹⁾ MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (highest rating) to CCC (lowest rating), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers.








1) The use by Gränges of any MSCI ESG research llc or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Gränges by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

SUSTAINABLE DEVELOPMENT GOALS

Gränges helps to fulfil the 2030 Agenda and Sustainable Development Goals (SDGs). In the table below, those SDGs that have been identified

as most relevant for Gränges' business and where the company has its largest contributions, are outlined.

UN SDG number and applicable targets	UN SDG name	Gränges' contributions to the UN SDGs	Gränges' material topics
 3.8 3.9	Good health and wellbeing	<ul style="list-style-type: none"> Gränges works to attract and safeguard competent employees and ensure proper working conditions, including access to essential health care services and medicines. Gränges strives to minimize employee exposure to chemicals, and performs chemical risk assessments using a precautionary principle, to ensure employees use alternatives that are as safe and environmentally sound as possible. 	<ul style="list-style-type: none"> Employee wellbeing
 4.4	Quality education	<ul style="list-style-type: none"> Gränges works to attract and retain a skilled workforce and works closely with universities etc. to give students access to the corporate environment. Gränges works to develop competencies that enhance both individual and organizational performance. As part of the annual performance and development discussion, each employee and their direct manager decide on individual training and development. 	<ul style="list-style-type: none"> Career and leadership development
 5.1 5.5	Gender equality	<ul style="list-style-type: none"> Gränges works to promote equal opportunities, diversity and gender equality and has articulated a 2025 target to have at least 30 per cent women in senior management. Gränges' operations in Europe annually performs a gender-related disparity pay analysis to find any non-objective gaps. Gränges works to promote an open and non-discriminatory workplace in its supply chain. 	<ul style="list-style-type: none"> Diversity and equality
 6.3 6.4 6.5	Clean water and sanitation	<ul style="list-style-type: none"> Gränges works to reduce emissions to both air and water. The company has set a 2025 target to implement local water management plans based on local water conditions (quality, quantity and governance) at all production sites. Such plans should include local targets and actions to address water-related impacts, including water efficiency improvement. Gränges works to put in place mechanisms to identify water risks throughout the global supply chain. 	<ul style="list-style-type: none"> Responsible sourcing Water management
 7.2 7.3	Affordable and clean energy	<ul style="list-style-type: none"> Gränges has initiated efforts to increase the share of renewable energy in its operations and to promote the topic in its supply chain, as this is a way to reduce the supply chain carbon footprint. Gränges works to improve energy intensity and has a target to reduce energy intensity by 17 per cent to 2025 compared with 2017. 	<ul style="list-style-type: none"> Energy
 8.4 8.5 8.7 8.8	Decent work and economic growth	<ul style="list-style-type: none"> Gränges works to improve resource efficiency in its operations through energy and materials efficiency as well as increased use of recycled aluminium. Gränges works to ensure full employment and decent work with equal pay, and to ensure a working environment that promotes high safety standards. Gränges works to put in place mechanisms to identify social risks throughout the global supply chain, including human rights (forced labour, child labour etc.) and working conditions. 	<ul style="list-style-type: none"> Career and leadership development Diversity and equality Responsible sourcing Sourced recycled aluminium Workplace safety
 9.4	Industry, innovation and infrastructure	<ul style="list-style-type: none"> Gränges works to develop sustainable products. The company works to leverage properties of aluminium (lightweight, recyclable etc.) to enable transition to low-carbon and efficient automotive applications (increase fuel efficiency in vehicles) and in other industries such as HVAC. 	<ul style="list-style-type: none"> Eco-responsible innovation Product life-cycle sustainability performance
 10.3	Reduced inequalities	<ul style="list-style-type: none"> Gränges works to ensure equal opportunities and to eliminate discrimination among its workforce. This is followed up by for example employee surveys every second year. Gränges works to promote an open and non-discriminatory workplace in its supply chain. 	<ul style="list-style-type: none"> Diversity and equality
 11.6	Sustainable cities and communities	<ul style="list-style-type: none"> Gränges works to leverage the sustainability properties of aluminium (lightweight, recyclable etc.) and develops HVAC solutions that contribute to energy efficient and sustainable buildings. 	<ul style="list-style-type: none"> Eco-responsible innovation Product life-cycle sustainability performance
 12.2 12.4 12.5 12.6	Responsible consumption and production	<ul style="list-style-type: none"> Gränges works to improve material efficiency and recycling rates and to minimize harmful emissions and waste. The company performs chemical substance hazard analysis and substitutes chemicals to reduce exposure to personnel. Gränges integrates sustainability information into its reporting cycle and publishes an annual sustainability report. Gränges works to ensure sustainable procurement practices and traceable practices in the supply chain. The company works to promote and improve product life-cycle sustainability performance. Gränges works to develop innovative products that can reduce energy needs in usage. 	<ul style="list-style-type: none"> Eco-responsible innovation Product life-cycle sustainability performance Responsible sourcing Sourced recycled aluminium
 13.1 13.3	Climate action	<ul style="list-style-type: none"> Gränges works to counteract climate change throughout the value chain. With regards to its own operations, Gränges works to improve energy efficiency and has initiated efforts to increase use of renewable energy. Gränges develops sustainable products aimed at improving customers' and end-users' energy efficiency. Gränges works to understand the climate risks and build resilience into the company's operations and supply chain. Gränges has set a 2025 target to reduce carbon emissions intensity from own operations and purchased energy by 25 per cent versus 2017 and to reduce carbon emissions intensity from purchased materials and services. 	<ul style="list-style-type: none"> Eco-responsible innovation Emissions and climate impact Energy Responsible sourcing
 16.5	Peace, justice and strong institutions	<ul style="list-style-type: none"> Gränges has zero tolerance for bribery and other types of corruption in its operations, and has set a 2025 target that white-collar employees are to be trained each year. 	<ul style="list-style-type: none"> Ethics and anti-corruption
 17.16	Partnerships for the goals	<ul style="list-style-type: none"> Gränges has been a signatory of the UN Global Compact since 2016, and works through industry associations and local community networks to support and enhance the partnership for sustainable development. Gränges works to promote and improve the sustainability performance (life-cycle perspective) of aluminium through value chain collaboration. One example is Gränges' participation in Aluminium Stewardship Initiative (ASI). 	<ul style="list-style-type: none"> Product life-cycle performance Responsible sourcing

SUSTAINABILITY PERFORMANCE SUMMARY

	Target 2025	2019	2018	2017	Note
Sustainable product offering					
Products with verified sustainability information available, %	80	–	–	–	1
Responsible and sustainable sourcing					
Number of significant suppliers ¹⁾	–	158	143	116	2
Share of significant suppliers committed to Gränges' Supplier Code of Conduct or equivalent standard, % of purchase value	100	99	98	–	2
Number of supplier audits	–	7	10	–	2
Share of recycled aluminium of total sourced metal inputs, %	20	19.8	16.7	11.5	3
Share of sourced renewable energy, %	Increase ⁶⁾	8	9	9	4
Carbon emissions intensity from purchased materials and services (scope 3), tonnes CO ₂ e/tonne	Reduce ⁶⁾	10.5	11.2	11.9	5
Sustainable operations					
<i>Environmental indicators</i>					
Total energy use, GWh	–	1,215.7	1,231.4	1,236.0	4
Energy intensity, MWh/tonne	–17% ⁶⁾	3.5	3.3	3.3	4
Carbon emissions intensity from own operations and purchased energy (scope 1+2), tonnes CO ₂ e/tonne	–25% ⁶⁾	0.82	0.76	0.81	5
Water withdrawal, thousand m ³	–	3,203	3,468	3,346	6
Number of sites with a local water management plan	All sites	0/5	0/5	0/5	6
<i>Workplace safety indicators</i>					
Number of recordable workplace accidents	–	17	23	28	7
Number of lost workday cases	–	10	14	14	7
Number of fatalities	–	0	0	0	–
Total Recordable Rate, number of recordable accidents per million hours worked	< 3.0	4.4	6.1	7.8	7
Severity Rate, number of lost workdays per million hours worked	< 50	142	165	112	7
Diverse and high-performing teams					
Average number of employees ²⁾	–	1,797	1,699	1,568	–
Number of employees at year end ³⁾	–	1,782	1,803	1,637	8
Employees with permanent contract, %	–	97	95	–	8
Employees with temporary contract, %	–	3	5	–	8
Full-time employees, %	–	100	100	–	8
Part-time employees, %	–	0	0	–	8
White-collar employees, %	–	31	30	31	8
Blue-collar employees, %	–	69	70	69	8
Share of employees having annual performance and development discussion, %	100	100	99	–	9
Share of women in Board of Directors/Group Management ^{3), 4)} , %	–	43/13	43/13	50/13	10
Share of women among senior management ^{3), 5)} , %	30	20	20	20	10
Share of women in total workforce ³⁾ , %	–	14	14	14	10
Employee engagement index, %	85	–	77	–	11
Sick-leave ²⁾ , %	–	1.6	1.6	2.0	11
Employee turnover ²⁾ , %	–	11.8	9.1	7.4	11
Share of employees covered by collective bargaining agreements, %	–	68	70	70	–
Ethical business practices					
Share of employees trained in the Code of Conduct, %	100	99	99	–	12
Share of white-collar employees trained in anti-corruption, %	100	100	–	–	12
Number of incidents related to corruption	–	0	0	0	12

1) Suppliers with a purchase value above SEK 5 million, CNY 5 million or USD 0.5 million.

2) Expressed as full-time positions. Data presented does not cover operations that are not fully owned by Gränges, for example the jointly owned production company Getek GmbH.

3) Expressed as headcount on Dec 31.

4) Includes one external consultant, read more on pages 50–51.

5) Employees eligible to participate in Gränges' long-term incentive (LT) programme.

6) Versus baseline 2017.

NOTES

1 PRODUCT LIFE-CYCLE SUSTAINABILITY PERFORMANCE

Comment: The company in 2019 conducted a life-cycle assessment (LCA) pre-study in the operations in Europe covering selected products to decide on scope and calculation methodology to be used in the sustainability product declarations. In line with the pre-study, Gränges plans to build its declarations on LCA methodology in accordance with ISO 14040 and ISO 14044. Detailed results for this indicator will be presented once Gränges has started to measure the share of its products having verified sustainability information available.

Reporting principles and definitions: Reporting principles and definitions will be presented once Gränges has established a foundation for how the company will assess and communicate the sustainability performance for its products from a life-cycle perspective.

Governance and policies: The topic is managed by SVP Research & Innovation in cooperation with the regional sales and product development representatives.

Long-term target: Gränges' 2025 target is that 80 per cent of its products have verified sustainability information available.

2 RESPONSIBLE SOURCING

Significant suppliers

Number of significant suppliers	2019	2018	2017
Asia	14	18	19
Europe	38	35	32
Americas	106	90	65
Gränges total	158	143	116

Supplier Code of Conduct commitment

Share of all significant suppliers committed to Gränges' Supplier Code of Conduct or equivalent standard, % of purchase value

	2019	2018	2017
Asia	97	94	–
Europe	99	97	–
Americas	100	100	–
Gränges total	99	98	–

Supplier audits

Number of audits conducted among significant suppliers

	2019	2018	2017
Asia	5	5	5
Europe	2	5	4
Americas	0	0	0
Gränges total	7	10	9

Comment: In 2019, Gränges continued to roll out its Supplier Code of Conduct to its significant suppliers. In total, 154 suppliers (137), corresponding to 99 per cent of the total purchase value from significant suppliers, signed the Supplier Code of Conduct or were – via an internal escalation process – assessed to have equivalent standards in place which are in line with Gränges' sustainability requirements. Gränges' operations in Asia and Europe conducted in total 7 supplier audits in 2019, of which no supplier was new. Such audits are conducted periodically depending on suppliers' strategic importance and results from supplier performance assessments. In total, 19 new significant suppliers (17) were added to the supplier base in 2019.

Reporting principles and definitions: Data is reported at a regional level by the purchasing organizations and consolidated annually at group level using common definitions and principles. Data for Gränges AB is included in the data for Europe. Comparable data for 2017 is not available for one indicator.

Significant supplier is defined as a supplier with a total purchase value above SEK 5 million, CNY 5 million or USD 0.5 million. Local purchase value has been converted to SEK using average currency rates for 2019.

Governance and policies: The topic is managed by SVP Technology & Business Development and the regional purchasing representatives. The governing policy is Gränges' Code of Conduct which states that the Supplier Code of Conduct, which in turn outlines Gränges' requirements on suppliers' commitment to sustainability principles, should be included as part of the supplier contract. Three of the company's production sites are certified in accordance with the quality management standard IATF 16949, which includes criteria on suppliers' quality performance.

Long-term target: Gränges' 2025 target is that 100 per cent of all significant suppliers are committed to Gränges' Supplier Code of Conduct or equivalent standard.

3 SOURCED RECYCLED ALUMINIUM

Weight of sourced metal inputs

ktonnes	2019	2018	2017
Primary aluminium	287.8	341.3	351.8
Recycled aluminium	72.9	70.4	46.7
Alloys	7.8	8.8	9.3
Gränges total	368.4	420.5	407.8

Weight of sourced recycled aluminium

ktonnes	2019	2018	2017
Asia	2.5	3.1	5.5
Europe	12.3	14.0	15.3
Americas	58.0	53.3	26.0
Gränges total	72.9	70.4	46.7

Share of sourced recycled aluminium

Share of recycled aluminium of total sourced metal inputs, %	2019	2018	2017
Asia	2.4	2.7	4.4
Europe	13.9	13.5	16.0
Americas	32.5	26.5	13.8
Gränges total	19.8	16.7	11.5

Comment: The use of sourced recycled aluminium increased to 19.8 per cent (16.7) in 2019, driven by the operations in Americas where the share increased by 6 percentage points. The result was mainly achieved through expanded sourcing of recycled aluminium through commodity traders and customer collaborations. In the European operations, the share of sourced recycled aluminium increased slightly whereas the Asian operations showed a slight decline driven by fluctuations in availability of recycled material of sufficient quality.

Reporting principles and definitions: Data is reported at regional level and consolidated annually at group level using common definitions and principles.

Sourced recycled aluminium is defined as sourced recycled aluminium used as input materials [tonnes] divided by total sourced metal input materials [tonnes].

Governance and policies: The topic is managed by SVP Technology & Business Development and the regional purchasing representatives. The governing policy is Gränges' EHS Policy, which is reviewed annually and applies to all employees working at Gränges.

Long-term target: Gränges' 2025 target is that 20 per cent of total sourced metal inputs is recycled aluminium.

4 ENERGY

Total energy use

GWh	2019	2018	2017
Natural gas	756.8	764.6	773.4
Electricity	400.1	407.4	403.2
Liquefied petroleum gas	45.6	46.2	48.2
Diesel	9.8	9.0	8.5
District heating	3.3	4.1	2.7
Petrol	0.1	0.1	0.1
Gränges total	1,215.7	1,231.4	1,236.0

Note: Data for diesel and petrol consumption 2018 have been restated due to a reporting error.

Energy intensity

MWh/tonne	2019	2018	2017
Asia	2.4	2.3	2.3
Europe	2.2	2.1	2.2
Americas	4.7	4.3	4.4
Gränges total	3.5	3.3	3.3
Development versus prior year, %	7	-1	

Share of sourced renewable energy

%	2019	2018	2017
Asia	9	10	10
Europe	31	36	38
Americas	2	2	2
Gränges total	8	9	9

Comment: The total energy use decreased by 1 per cent in 2019 to 1,215.7 GWh (1,231.4). Due to lower production volumes, the energy intensity however increased by 7 per cent compared to 2018 and reached 3.5 MWh/tonne (3.3). In Americas, the increased energy intensity was also explained by a changed production mix, with a higher share of recycled aluminium and an increased focus on producing

products with a lower gauge. Gränges' total share of renewable energy decreased to 8 per cent (9), driven by Europe where the share of nuclear power in the purchased electricity mix increased. The energy mix in Asia also showed a slight decline in renewable energy sourced, whereas the energy mix in Americas was basically unchanged.

Reporting principles and definitions: Data is reported at regional level and consolidated annually at group level using common definitions and principles.

Energy intensity is defined as total energy use [MWh] divided by the total packed products [tonnes].

Renewable energy sources are defined as wind, solar, hydro, geothermal, tidal and biomass. The share of renewable energy is calculated as renewable energy sourced [MWh] divided by the total energy used [MWh] using total energy use per source and the supplier-specific mix for delivered electricity and district heating.

Regulations: Gränges adheres to applicable energy regulations in the countries of operations; Gränges' operations in Asia under the Shanghai Energy Conservation Regulations and the operations in Europe under the Energy Efficiency Directive. Operations in Americas do currently not have any energy related regulations affecting its operations.

Governance and policies: The topic energy use and intensity is managed by SVP Process Engineering & Operational Development and the regional representatives from operations. The topic sourced renewable energy is managed by SVP Technology & Business Development and the regional purchasing representatives. The governing policy is Gränges' EHS Policy, which is reviewed annually and applies to all employees working at Gränges. The production sites in Europe and Asia are certified in accordance with the energy management standard ISO 50001, while the operations in Americas is preparing for implementation.

Long-term target: Gränges' 2025 target is that energy intensity is reduced by 17 per cent versus baseline 2017, and that the share of sourced renewable energy (electricity, heat, fuels) is increased versus baseline 2017.

5 EMISSIONS AND CLIMATE IMPACT

Total emissions of greenhouse gases

ktonnes CO ₂ e	Scope 1			Scope 2			Scope 3		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Asia	25.6	27.5	28.6	57.4	61.1	63.8	1,970	2,250	2,430
Europe	10.6	11.3	11.2	0.4	0.4	0.2	500	590	530
Americas	129.7	128.7	129.9	59.1	56.0	68.9	1,150	1,400	1,530
Gränges total	166.0	167.5	169.7	116.9	117.4	132.9	3,620	4,230	4,490

Note: Data for scope 2 emissions in Europe 2017–2018 have been restated due to updated emission factors for district heating.

Carbon emissions intensity

Tonnes CO ₂ e/tonne	Scope 1			Scope 2			Scope 3		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Asia	0.29	0.28	0.28	0.66	0.63	0.62	22.5	23.1	23.5
Europe	0.13	0.12	0.13	0.00	0.00	0.00	6.1	6.5	6.1
Americas	0.73	0.68	0.69	0.33	0.30	0.37	6.5	7.4	8.2
Gränges total	0.48	0.44	0.45	0.34	0.31	0.35	10.5	11.2	11.9
Development versus prior year, %	8	-2		8	-12		-7	-6	

Emissions by category (scope 3)

ktonnes CO ₂ e	2019	2018	2017
Purchased goods and services	3,520	4,120	4,370
Fuel and energy-related activities	60	60	60
Transportation incl. business travel	50	50	50
Gränges total	3,620	4,230	4,490

Other emissions to air – nitrogen oxides (NO_x)

Tonnes	2019	2018	2017
Asia	23.1	25.5	24.0
Europe	10.4	11.2	10.6
Americas	98.4	97.9	98.5
Gränges total	131.8	134.7	133.1

Other emissions to air – particulate matter

Tonnes	2019	2018	2017
Asia	3.3	3.6	3.8
Europe	0.1	0.2	0.2
Americas	7.6	7.3	7.5
Gränges total	11.1	11.1	11.5

Other emissions to air – sulphur dioxide (SO₂)

Tonnes	2019	2018	2017
Asia	2.5	2.6	2.9
Europe	0.0	0.1	0.1
Americas	0.6	0.6	0.6
Gränges total	3.2	3.3	3.5

Comment: In 2019, total carbon emissions intensity (scope 1+2+3) decreased by 6 per cent compared to 2018. The carbon emissions intensity from own operations and purchased energy (scope 1+2) increased by 8 per cent compared to 2018, driven by increased energy intensity in all regions. The carbon emissions intensity from purchased materials and services (scope 3) decreased by 7 per cent compared to 2018, driven by increased use of recycled aluminium replacing primary aluminium in Americas and by an improved material efficiency in all regions. Emissions of nitrogen oxides and sulphur dioxide decreased compared to 2018 due to lower consumption of natural gas and liquefied petroleum gas.

Reporting principles and definitions: Data is reported at regional level and consolidated annually at group level using common definitions and principles.

Greenhouse gas emissions are presented as carbon dioxide equivalents. In accordance with the GHG Protocol, the definitions of the respective scopes are the following.

Scope 1 is defined as direct emissions from Gränges' operations, which include production facilities, office buildings and company owned vehicles. Emissions are calculated based on fuel consumption and emission factors.

Scope 2 is defined as energy indirect emissions from the generation of purchased electricity and heat consumed by Gränges, in production

facilities and office buildings. Emissions are calculated using specific data from Gränges' electricity and heat suppliers.

Scope 3 is defined as other indirect emissions. These include emissions from extraction, production and processing of main purchased materials, fuel and energy related activities (not included in scope 1 or scope 2), upstream and downstream goods transportation as well as business travel. Fuel and energy related activities include production of fuels used in Gränges' operations and in generation of purchased electricity. Emissions from producing primary aluminium are based on regional industry averages, and supplier data is used for purchased slabs and recycled aluminium. Emissions from producing fuels are based on regional industry data and emissions from transportation and business travel are based on specific data from Gränges' transport routes.

Carbon emissions intensity is defined as total emissions of greenhouse gases [tonnes CO₂e] divided by the total packed products [tonnes].

Other emissions to air of particulate matter, nitrogen oxides, and sulphur dioxide are calculated either based on fuel consumption using local emission factors or based on continual measurements. Emissions of oil and VOC are not reported as methods and data collection procedures are currently being harmonized across the organization. Gränges aims to start reporting on these emissions next year.

Regulations: Gränges observes all applicable local and international laws and regulations for environmental impact. Emission limits in Europe are based on requirements from the Industry Emissions Directive (IED). Gränges' production site in Finspång is not included in the EU emissions trading system, EU ETS. In Asia, emission limits are linked to Regulations of Shanghai Municipality on the Prevention and Control of Atmospheric Pollution, and in the US the National Ambient Air Quality Standards (NA AQS) provides the relevant legal framework. Local authorities continually monitor compliance to ensure that emissions are within limits. Emissions regulated by legislation include nitrogen oxides, sulphur dioxide, particulate matter, volatile organic compounds (VOC) and, in some regions, oil emissions.

Governance and policies: The topic is managed by SVP Process Engineering & Operational Development (direct emissions from own operations), SVP Technology & Business Development (indirect emissions

from purchased energy and from purchased materials and services), and the regional operational and purchasing representatives. The governing policy is Gränges' EHS Policy, which is reviewed annually and applies to all employees working at Gränges. The production sites in Asia and Europe are certified in accordance with the environmental management standard ISO 14001, while the sites in Americas are preparing to implement an environmental management system. Emissions are monitored and managed as part of daily operations. Compliance is a prerequisite for Gränges' continued license to operate.

Long-term target: Gränges' 2025 target is that carbon emissions intensity from own operations and purchased energy (scope 1+2) is reduced by 25 per cent versus baseline 2017. The company has also set a long-term target that carbon emissions intensity from purchased materials and services (scope 3) is reduced versus the 2017 baseline.

6 WATER MANAGEMENT

Water withdrawal, by source

Thousand m ³	2019		2018		2017	
	All areas	Areas with water stress	All areas	Areas with water stress	All areas	Areas with water stress
Surface water (total)	2,427	–	2,590	–	1,988	–
Groundwater (total)	530	–	620	–	845	–
Third-party water (total)	245	159	258	158	513	157
Gränges total	3,203	159	3,468	158	3,346	157

Third-party water withdrawal, by source

	2019	2018	2017
Surface water	175	159	173
Groundwater	70	–	341

Water withdrawal, by region

Thousand m ³	2019	2018	2017
Asia	159	158	157
Europe	2,444	2,609	2,003
Americas	601	702	1,185
Gränges total	3,203	3,468	3,346

Water intensity

m ³ /tonne	2019	2018	2017
Asia	1.8	1.6	1.5
Europe	29.8	28.9	23.3
Americas	3.4	3.7	6.3
Gränges total	9.3	9.2	8.9

Note: All water withdrawal is categorised as freshwater ($\leq 1,000$ mg/L Total Dissolved Solids).

Comment: In 2019, total water withdrawal decreased by 8 per cent compared to 2018, partly due more normal weather conditions in Europe which led to a reduced need for cooling water, and partly due to the replacement of cooling tower units in the Huntingdon production site. The water intensity, however, increased slightly due to lower production volumes. In 2019, Gränges agreed on the key elements of the local water management plans, and in 2020 the company aims to implement such plans in three production facilities.

Reporting principles and definitions: Data is reported at regional level and consolidated annually at group level using common definitions and principles.

Water withdrawal is defined as water used in the production facility withdrawn from wetlands, rivers, lakes, own wells, municipal water suppliers or from other public or private water utilities [m³].

Water stress is defined as the ratio of total water withdrawals to available renewable surface and groundwater suppliers. The definition is based on Aqueduct Water Risk Atlas developed by World Resources Institute, where the result for the indicator "Baseline water stress" is high (40–80 per cent) or extremely high (> 80 per cent) in the area.

Water intensity is defined as total water withdrawal [m³] divided by the total packed products [tonnes].

Regulations: The water use and management for Gränges' operations in Asia is regulated via permits and by legislation such as Water Pollution Prevention and Control Law of the People's Republic of China, Water Law of the People's Republic of China, and Management in Shanghai Drainage Ordinance.

Governance and policies: The topic is managed by SVP Process Engineering & Operational Development, and the regional representatives from operations. The governing policy is Gränges' EHS Policy, which is reviewed annually and applies to all employees working at Gränges.

Long-term target: Gränges' 2025 target is that all sites have implemented a local water management plan.

7 WORKPLACE SAFETY

Total Recordable Rate (TRR)

Number of recordable accidents per million hours worked	2019	2018	2017
Asia	2.2	2.8	6.3
Europe	7.4	9.6	11.7
Americas	4.8	7.3	7.2
Gränges total	4.4	6.1	7.8

Severity Rate

Number of lost workdays per million hours worked	2019	2018	2017
Asia	73	162	163
Europe	108	87	128
Americas	214	212	48
Gränges total	142	165	112

Comment: In 2019, Total Recordable Rate (TRR) reached 4.4 (6.1), an improvement of 28 per cent versus 2018 driven by a strong behavioural safety programme and a successful implementation of a 5S system in all plants. Severity Rate improved slightly to 142 (165) driven by significant improvements in Gränges' operations in Asia, partly offset by Europe where one accident led to a long recovery time for the injured individual.

Reporting principles and definitions: All incidents and accidents are registered and categorized in local incident reporting systems. Events reported are tracked weekly and monthly. Data is reported at regional level and consolidated monthly at group level using common definitions and principles. Contracted workers are included in the safety statistics except for disclosure of employee coverage of OHS management systems which is based on number of employees on 31 December.

Contracted worker is defined as individuals working onsite or offsite on behalf of Gränges.

Recordable accident is defined as medical treatment cases, restricted work cases and lost workday cases.

Total Recordable Rate (TRR) is defined as total number of recordable accidents per million hours worked.

Lost workday cases are defined as number of recordable accidents resulting in absence from work.

Lost workdays are defined as the sum of workdays by employees being absent from work due to a recordable accident.

Severity Rate is defined as total number of lost workdays per million hours worked.

Serious injury is defined as an irreversible injury such as an amputated finger or lost eyesight, or a reversible injury causing prolonged periods of pain or suffering for the employee, or an accident with an absence longer than 15 days.

Governance and policies: The topic is managed by SVP Process Engineering & Operational Development and regional safety representatives. The governing policy is Gränges' EHS Policy, which is reviewed annually and applies to all employees working at Gränges.

All Gränges' production sites, covering 98 per cent of Gränges' total employees in 2019, has an occupation health and safety (OHS) management system in place, implemented in line with applicable legislation. The OHS system in the Shanghai site is certified in accordance with OHSAS 18001, covering 29 per cent of all Gränges' employees. The sites in Americas and Europe have initiated pre-studies to implement OHS management systems in accordance with OHSAS 18001 or ISO 45001. In line with Gränges' internal safety assessment process, cross-assessments were in 2019 conducted in the Salisbury and Finspång sites, covering in total 38 per cent of total employees. The remaining sites were assessed in 2017–2018.

Gränges has employee-managed safety committees at all plants. The efficiency of the committees is monitored by the Supervisory safety committees, headed by the regional Presidents. In the operations in Americas, each plant has an employee-managed safety committee supported by local management.

Long-term target: Gränges' 2025 target is that Total Recordable Rate (TRR) is < 3.0 recordable accidents per million hours worked and that Severity Rate is < 50 lost workdays per million hours worked.

8 TOTAL EMPLOYEES

Total number of employees by category

Number	2019	2018	2017
Blue-collar	1,229	1,256	1,128
White-collar	553	547	509
Gränges total	1,782	1,803	1,637
Contracted workers	104	104	–

Employment contract and type, by gender and region 2019

Number of employees	Region			Gender	
	Asia	Europe	Americas	Women	Men
Permanent contract	484	492	758	241	1,493
Temporary contract	35	12	1	12	36
Gränges total	519	504	759	253	1,529

Number of employees	Gender	
	Women	Men
Full-time	247	1,527
Part-time	6	2
Gränges total	253	1,529

Comment: Total number of employees decreased by 1 per cent to 1,782 (1,803) in 2019, mainly driven by efficiency improvements in Gränges' operations in Europe, partly offset by a continued high recruitment rate in the operations in Americas. The total number of contracted workers was 104 (104).

Reporting principles and definitions: Data is reported at a regional level and consolidated annually at group level using common definitions and principles. Data for Gränges AB is included in the data for Europe. Data is based on headcount on 31 December. Comparable data for contracted workers 2017 is not available.

Contracted worker is defined as individuals working onsite or offsite on behalf of Gränges.

Permanent contract is defined as a contract for an indeterminate period.

Temporary contract is defined as a contract of limited duration.

Full-time employee is defined according to national legislation and practice regarding working time, such as employees working a minimum of nine months per year and 30 hours per week.

Part-time employee is defined as employees working less than a full-time employee.

Governance and policies: Not applicable as this is a general disclosure.

Long-term target: Not applicable as this is a general disclosure.

9 CAREER AND LEADERSHIP DEVELOPMENT

Performance and development discussion

%	2019	2018	2017
Asia	100	100	–
Europe	100	98	–
Americas	100	100	–
Gränges total	100	99	–

Comment: In total, 100 per cent (99) of all employees received a performance and development discussion in 2019. Per gender and category, 100 per cent of all women and men and 100 per cent of blue-collar and white-collar employees received a performance and development discussion.

Reporting principles and definitions: Data is reported at a regional level and consolidated annually at group level using common definitions and principles. Data for Gränges AB is included in the data for Europe. Comparable data for 2017 is not available. Data covers employees in duty adjusted for those who are long-term absent as well as new employees who did not have a performance and development discussion as they started their employment after the period when the annual performance and development discussions were conducted. The definition was updated in 2019 to clarify that individuals who are long-term absent are excluded from the calculation.

Governance and policies: The topic is managed by SVP Human Resources and the regional human resources representatives.

Long-term target: Gränges' 2025 target is that 100 per cent of all employees annually receive a performance and development discussion.

10 DIVERSITY AND EQUALITY

Gender balance by region

Share of women in total workforce, %	2019	2018	2017
Asia	12	11	11
Europe	20	20	20
Americas	12	11	12
Gränges total	14	14	14

Share of women among senior management, %	2019	2018	2017
Asia	20	20	20
Europe	15	15	16
Americas	29	29	25
Gränges total	20	20	20

Gender balance and age structure 2019

%	Women	Men	< 30 years	30–50 years	> 50 years
Board of Directors	43	57	0	14	86
Group Management ¹⁾	13	88	0	38	63
Senior management	20	80	0	64	36
White-collar	29	71	5	63	31
Blue-collar	8	92	15	58	27
Gränges total	14	86	12	60	28

1) Includes one external consultant, read more on pages 50–51.

Comment: The share of women among the total workforce remained unchanged at 14 per cent (14) in 2019, with small increases for Gränges' operations in Americas and Asia. The share of women among senior management was unchanged at 20 per cent (20).

Reporting principles and definitions: Data is reported at a regional level and consolidated annually at group level using common definitions and principles. Data for Gränges AB is included in the data for Europe. Data is based on headcount on 31 December.

Senior management is defined as employees eligible to participate in Gränges' long-term incentive (LTI) programme.

Governance and policies: The topic is managed by SVP Human Resources and the regional human resources representatives. The governing policy is the Diversity Policy, which is reviewed annually and applies to all employees working at Gränges.

Long-term target: Gränges' 2025 target is that at least 30 per cent of senior management is women.

11 EMPLOYEE WELLBEING

%	2019	2018	2017
Sick-leave	1.6	1.6	2.0
Employee turnover	11.8	9.1	7.4
Employee engagement index	–	77	–

Note: Employee engagement index for 2018 has been restated to reflect results from Gränges' operations in Americas which conducted its first employee survey in the beginning of 2019. The consolidated figure for 2018 now reflects total Gränges Group.

Comment: Total sick-leave was unchanged at 1.6 per cent (1.6) in 2019. Total employee turnover increased to 11.8 per cent (9.1) as a result of record low unemployment rates and a strong employment market in the US. The continued high recruitment rate in the Americas operations led to a higher turnover rate as many new employees ended their employment during the first time period at Gränges. By gender, employee turnover was 12.7 per cent among men and 6.4 per cent among women and by category 13.9 per cent among blue-collar employees and 7.1 per cent among white-collar employees. There was no employee survey in 2019.

Reporting principles and definitions: Data is reported at a regional level and consolidated annually at group level using common definitions and principles. Data for Gränges AB is included in the data for Europe.

Data for sick-leave and employee turnover is based on average number of employees (expressed as present full-time positions).

Data for employee engagement comes from Gränges' employee survey, which is conducted every other year. Next group-wide survey will be conducted in 2020. Comparable data for 2017 is not available.

Sick-leave is defined as all absent hours for sickness within a year divided by total annual working hours (as applicable in local standards). Excludes permitted leave absences such as holidays, study and parental leave.

Employee turnover is defined as number of employees who leave the organization (voluntarily or due to dismissal, retirement, or death in service) during the reporting period divided by total number of employees converted to full-time positions.

Employee engagement index is a calculated mean from a number of questions in Gränges' employee survey related to energy and clarity, two important dimensions of employee engagement. The mean is converted to an index 0–100.

Governance and policies: The topic is managed by SVP Human Resources and the regional human resources representatives.

Long-term target: Gränges' 2025 target is that Employee engagement index should reach at least 85.

12 ETHICS AND ANTI-CORRUPTION

Code of Conduct training

Share of employees trained in the Code of Conduct, %	2019	2018	2017
Asia	100	100	–
Europe	98	98	–
Americas	100	100	–
Gränges total	99	99	–

Anti-corruption training

Share of white-collar employees trained in anti-corruption, %	2019	2018	2017
Asia	100	–	–
Europe	100	–	–
Americas	100	–	–
Gränges total	100	–	–

Incidents of corruption

Number	2019	2018	2017
Incidents of corruption	0	0	0
Incidents of terminated business contracts due to corruption	0	0	0

Comment: In 2019, Gränges continued to roll-out an annual group-wide Code of Conduct training. All employees, except blue-collar employees in Gränges' operations in Americas who conducted classroom training, were invited to complete an e-learning. Total training participation ended at 99 per cent (99), with 100 per cent participation rate in the operations in Asia and Americas (100) and 98 per cent (98) in Europe. Gränges in 2019 also developed an anti-corruption e-learning which 100 per cent of all white-collar employees completed. No corruption incidents were detected during 2019.

Reporting principles and definitions: Data for Code of Conduct and anti-corruption training participation is collected and consolidated annually via the e-learning system used for online training. Data for Gränges AB is included in the data for Europe. Comparable data for 2017 is not available, and for one indicator, comparable data is not available for 2018. Data includes employees in duty and is adjusted for long-term sick-leave, parental leave, resignations and employees off duty for a longer period. The anti-corruption training was conducted October to November 2019 while the Code of Conduct training was conducted November 2019 to January 2020.

Governance and policies: The topic is managed by Gränges' General Counsel and the regional legal representatives. The governing policy is Gränges' Code of Conduct which is updated annually and applicable for all employees and board members in entities owned by Gränges. It also applies to independent contractors and consultants or others acting on behalf of Gränges. Also, Gränges' Anti-Corruption Policy defines, explains and expands on what Gränges means by corruption.

Long-term target: Gränges' 2025 target is that 100 per cent of all employees are annually trained in the Code of Conduct, and that 100 per cent of all white-collar employees are annually trained in anti-corruption.

GRI CONTENT INDEX

GENERAL DISCLOSURES

GRI Standard	Disclosure number	Disclosure title	UNGC Principles	Page reference	Omissions
GRI 101: Foundation 2016					
GRI 102: General disclosures 2016					
ORGANIZATIONAL PROFILE					
	102-1	Name of the organization		38	
	102-2	Activities, brands, products, and services		12–13, 17–18	
	102-3	Location of headquarters		11, 38	
	102-4	Location of operations		11, 38	
	102-5	Ownership and legal form		36–37, 39, 43	
	102-6	Markets served		10–11	
	102-7	Scale of the organization		1, 10–11, 29, 55	
	102-8	Information on employees and other workers		101, 106–107	
	102-9	Supply chain	10	8, 24–25	
	102-10	Significant changes to the organization and its supply chain		14, 16, 24–25, 36–37	
	102-11	Precautionary Principle or approach	7	33	
	102-12	External initiatives		99–100	
	102-13	Membership of associations		99	
STRATEGY					
	102-14	Statement from senior decision-maker		2–3	
	102-15	Key impacts, risks, and opportunities		32–35	
ETHICS AND INTEGRITY					
	102-16	Values, principles, standards, and norms of behavior		29–31	
	102-17	Mechanisms for advice and concerns about ethics		31	
GOVERNANCE					
	102-18	Governance structure		41–47, 97, 102–108	
STAKEHOLDER ENGAGEMENT					
	102-40	List of stakeholder groups		98	
	102-41	Collective bargaining agreements	3	101	
	102-42	Identifying and selecting stakeholders		98	
	102-43	Approach to stakeholder engagement		98	
	102-44	Key topics and concerns raised		98	
REPORTING PRACTICE					
	102-45	Entities included in the consolidated financial statements		90	
	102-46	Defining report content and topic Boundaries		99	
	102-47	List of material topics		99	
	102-48	Restatements of information		104, 108	
	102-49	Changes in reporting		99	
	102-50	Reporting period		97	
	102-51	Date of most recent report		97	
	102-52	Reporting cycle		38, 97	
	102-53	Contact point for questions regarding the report		97	
	102-54	Claims of reporting in accordance with the GRI Standards		97	
	102-55	GRI content index		109–111	
	102-56	External assurance		97	

MATERIAL TOPICS

GRI Standard	Disclosure number	Disclosure title	UNGC Principles	Page reference	Omissions
Economic standards					
ANTI-CORRUPTION			10		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		31, 99, 108	
	103-2	The management approach and its components		31, 108	
	103-3	Evaluation of the management approach		31, 108	
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures		31, 108	
	205-3	Confirmed incidents of corruption and actions taken		31, 108	
Environmental standards					
MATERIALS			7, 8, 9		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		24–25, 99, 103	
	103-2	The management approach and its components		24–25, 103	
	103-3	Evaluation of the management approach		24–25, 103	
GRI 301: Materials 2016	301-1	Materials used by weight or volume		24–25, 101, 103	
	301-2	Recycled input materials used		24–25, 101, 103	
ENERGY			7, 8, 9		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		26–27, 99, 103	
	103-2	The management approach and its components		26–27, 103	
	103-3	Evaluation of the management approach		26–27, 103	
GRI 302: Energy 2016	302-1	Energy consumption within the organization		26–27, 101, 103	
	302-3	Energy intensity		26–27, 101, 103	
	302-4	Reduction of energy consumption		26–27, 101, 103	
WATER			7, 8		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		27, 99, 105	
	103-2	The management approach and its components		27, 105	
	103-3	Evaluation of the management approach		27, 105	
GRI 303: Water and effluents 2018	303-1	Interactions with water as a shared resource		27, 105	
	303-2	Management of water discharge-related impacts		27, 105	
	303-3	Water withdrawal		27, 105	
EMISSIONS			7, 8, 9		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		22, 25, 27, 99, 104	
	103-2	The management approach and its components		22, 25, 27, 104	
	103-3	Evaluation of the management approach		22, 25, 27, 104	
GRI 305: Emissions 2016	305-1	Direct (scope 1) GHG emissions		22, 27, 101, 104	
	305-2	Energy indirect (scope 2) GHG emissions		22, 27, 101, 104	
	305-3	Other indirect (scope 3) GHG emissions		22, 25, 101, 104	
	305-4	GHG emissions intensity		22, 101, 104	
	305-5	GHG emissions reductions		22, 101, 104	
305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions		104	VOC are not reported as methods and data collection procedures for these emissions are currently being harmonized across the organization. Gränges aims to start reporting these emissions next year.	
SUPPLIER ENVIRONMENTAL ASSESSMENT			7, 8, 9		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		24–25, 99, 102	
	103-2	The management approach and its components		24–25, 102	
	103-3	Evaluation of the management approach		24–25, 102	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria		102	
Social standards					
OCCUPATIONAL HEALTH AND SAFETY					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		28, 99, 106, 108	
	103-2	The management approach and its components		28, 106, 108	
	103-3	Evaluation of the management approach		28, 106, 108	

GRI Standard	Disclosure number	Disclosure title	UNGC Principles	Page reference	Omissions
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system		106	
	403-2	Hazard identification, risk assessment, incident investigation		28, 106	
	403-3	Occupational health services		30	
	403-4	Worker participation, consultation, and communication on occupational health and safety		28, 106	Meeting frequency of safety committees is not included due to lack of credible data.
	403-5	Worker training on occupational health and safety		28	
	403-6	Promotion of worker health		30	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		24–25	
	403-8	Workers covered by an occupational health and safety management system		106	Contracted workers are not included due to a lack of credible data.
	403-9	Work-related injuries		28, 101, 106	Contracted workers such as maintenance workers managed by Gränges are included in the safety data but not sick-leave. The reporting is aligned with Gränges' internal procedures.
TRAINING AND EDUCATION					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		29, 99, 107	
	103-2	The management approach and its components		29, 107	
	103-3	Evaluation of the management approach		29, 107	
GRI 404: Training and Education 2016	404-3	Percentage of employees receiving regular performance and career development reviews		29, 101, 107	
DIVERSITY AND EQUAL OPPORTUNITY			1, 2, 6		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		29–30, 99, 107	
	103-2	The management approach and its components		29–30, 107	
	103-3	Evaluation of the management approach		29–30, 107	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees		29–30, 101, 107	
SUPPLIER SOCIAL ASSESSMENT			1, 2, 3, 4, 5, 6		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		24–25, 99, 102	
	103-2	The management approach and its components		24–25, 102	
	103-3	Evaluation of the management approach		24–25, 102	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria		102	

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY STATEMENT

To the general meeting of the shareholders of Gränges AB, corporate identity number 556001-6122

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2019, as defined in the Board of Directors report on page 39, and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing

and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A statutory sustainability statement has been prepared.

Stockholm 12 March 2020
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

HISTORY

The foundation of today's Gränges was laid in 1896 in Grängesberg, Sweden. Thereafter, several different industrial enterprises became part of the Group, including Grängesberg mines, the TGOJ rail business, Oxelösund ironworks, and a shipping business. In 1969, the Group acquired Svenska Metallverken, which included an aluminium products business, an operation that would later evolve into Gränges. In 1972, work began on the development and production of aluminium heat exchanger strips in Finspång.

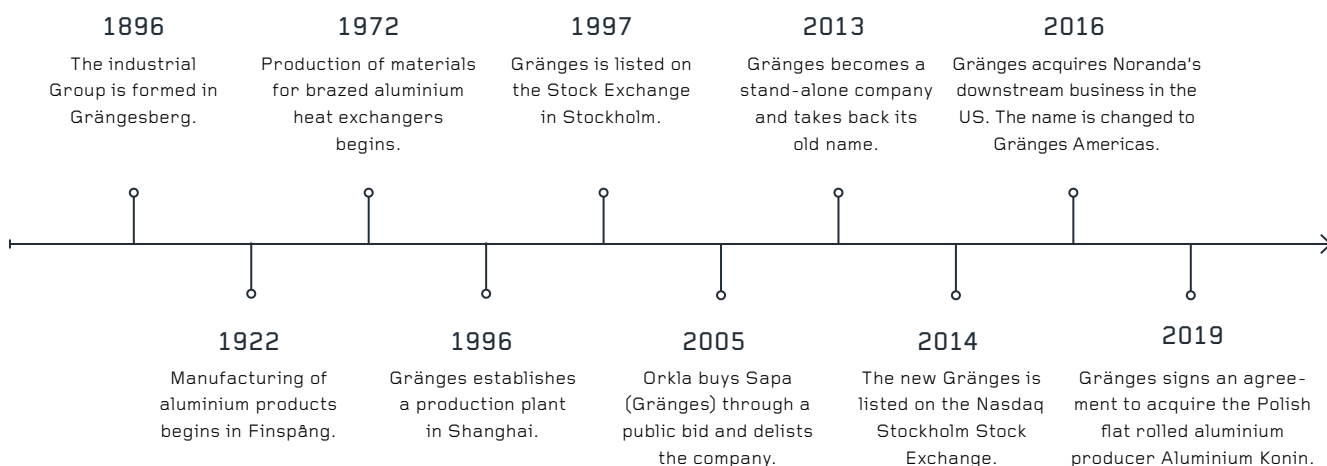
After the Gränges Group was acquired by Electrolux in 1980, a number of structural changes were implemented, resulting in the sale of most of Gränges' businesses. What remained was the production of aluminium products.

A key milestone came in 1996, when Gränges established a global presence by opening a production plant in Shanghai. In 1997 Gränges

was listed on the Stock Exchange in Stockholm and in 2000 Gränges changed name to Sapa. In 2005 Sapa was acquired and delisted after Orkla made a bid for the company. At that time Sapa had two lines of business: rolled aluminium products and extruded aluminium profiles. In 2013, the rolled products business took back the name of Gränges and in 2014 Orkla decided to list Gränges on the Nasdaq Stockholm Stock Exchange.

In 2016, Gränges acquired Noranda's downstream operations in the United States and the name of the acquired company was changed to Gränges Americas.

In 2019, Gränges signed an agreement to acquire the Polish flat rolled aluminium producer Aluminium Konin. The transaction is subject to regulatory approval by the relevant competition authorities.



ANNUAL GENERAL MEETING 2020

Gränges' 2020 Annual General Meeting will be held on Thursday, 7 May, 2020 at 16:00 CEST at IVA Conference Centre (Wallenberg-salen), Grev Turegatan 16 in Stockholm. Registration begins at 15:30 CEST.

Participation

Shareholders wishing to attend the Annual General Meeting must be registered as shareholders in the share register maintained by Euroclear Sweden AB as of Thursday, 30 April, 2020, and have notified the company of their intention to attend no later than Thursday, 30 April, 2020.

Registration of participation must be provided in writing to Gränges AB, Juridik, Box 5505, 114 85 Stockholm, Sweden; on the company's website, www.granges.com; or by telephone at +46 732 07 42 52 on weekdays between 09:00 and 16:00 CEST during the period 27 March–30 April.

When registering, shareholders must state their name, personal ID or company registration number, address and daytime telephone number and representatives. The information provided is only used for Gränges' annual general meeting.

Nominee-registered shares

Shareholders whose shares are registered with a nominee must, to have the right to attend the Annual General Meeting, have their shares temporarily reregistered with Euroclear Sweden AB. A request for reregistration should be submitted to the nominee well in advance of the Annual General Meeting.

Notice convening the Annual General Meeting

Gränges' notice convening the Annual General Meeting 2019 is expected to be published Friday, 27 March 2020 by a press release and on the company's website. Information about other decision points will be available on the company's website. Printed information can be ordered via reports@granges.com.

Dividend

The Board of Directors proposes a dividend of SEK 3.40 (3.20) per share for the 2019 fiscal year, in total SEK 257 million (242). The proposed record date for the dividend is Monday, 11 May, 2020. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be distributed through Euroclear Sweden AB on Thursday, 14 May, 2020.

For further information, please contact:

Niclas Nelson
General Counsel
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Tel: +46 8 459 59 00

GRÄNGES' ANNUAL REPORT

Gränges' annual report is available on the company's website, www.granges.com, in Swedish and English. The annual report is also available in printed format and can be ordered at reports@granges.com.

GRÄNGES' FINANCIAL CALENDAR 2020

Interim report, January–March 2020	30 April 2020
Annual General Meeting 2020	7 May 2020
Half-year report, January–June 2020	16 July 2020
Interim report, January–September 2020	22 October 2020



Concept, text and production: Solberg in cooperation with Gränges.
Photographers: Dan Coleman, Superstudio, Fredrik Schlyter, Robert Nilsson, Volvo Cars, Gränges among others.
Print: Göteborgstryckeriet.

GRÄNGES IS A GLOBAL LEADER IN ALUMINIUM ENGINEERING,
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